How cartel prices hit economic development

Page 4

FT No. 31,144 THE FINANCIAL TIMES LIMITED 1990

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D 8523A

World News **US** and Iran agree deal on \$105m of small claims

The US and Iran completed a settlement on \$105m-worth of small claims filed following the revolution of 1979. although the major multi-biltion dollar cases remained out-standing. The deal has to be formally ratified by the Iran-US Claims Tribunal.

Both sides stressed that the settlement had nothing to do with the recent release of two American hostages in the Lebanon. Page 22

Albanian reforms Albania announced a package of radical reforms aimed at improving its human rights

record and at bringing the country out of its self-imposed Nato envoy resigns

Luxembourg announced that its ambassador to Nato, Guy De Muyser, has resigned. A government official said US intelligence suspected he had passed information to Moscow.

Aid to Lithuania The first busload of humanitar-

ian aid reached Lithuania from Poland, despite a border blockade imposed on the rebel Baltic republic by Soviet authorities. Call to leave Pact

Hungary's largest opposition party called for the country

to withdraw from the Warsaw Pact in a move which will exacerbate growing tensions within the governing coalition.

Kuwait arrests

Police in Kuwait arrested eight politicians for holding an file-gal political meeting urging a boycott of the general elections due in June. Page 5

Red carpet welcome South African President F. W. de Klerk arrived in Paris at the start of a nine-nation European tour and was greeted with a red carpet and military

Secul students riot Thousands of students fought running battles with riot police in the centre of Secul

worst protests seen in the capi-tal for more than a year. Page Coalition door opens Israel's Labour Party said it

was ready to discuss reviving a national coalition with Mr Yitzhak Shamir's Likud Party. Lebanese port ban

General Michel Aoun issued a communique forbidding time agencies" from serving any port in Lebanon's Christian enclave, intensifying the "war of the ports". Page 5

Turkey may lift bans President Turgut Ozal said the bans on Communist and religious parties in Turkey could be lifted without fear.

Rocard survives The French Communist Party.

holding key votes in a censure motion over an amnesty for corrupt politicians, dropped a threat to topple Prime Minis-ter Michel Rocard's Socialist government. Page 2

Unesco crisis claim About 400 staff stopped work to protest outside a board meeting of Unesco at its Paris headquarters, saying the UN cultural and educational body had reached a constitutional

Kashmir battle

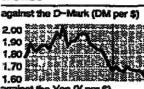
Seven civilians were killed and 16 injured in street battles in Srinigar, northern India, between security forces and Moslem militants. Page 5

Coastal cyclone A cyclone, with winds of up to 250kph, hit the southern Indian coast, killing at least

Business Summary US chip group urges halt to high technology acquisitions

A moratorium on foreign acquisitions of US high techacquisitions of US night tech-nology companies should be imposed, a US industry group proposed in congressional testi-mony. The proposal comes amid growing US concern over Japanese takeovers in the US semiconductor equipment and materials industries. Page 22

US DOLLAR declined sharply after fading expectations of higher US interest rates. The dollar was at its lowest closing level against the D-Mark since January 1988, falling to DM1.6375 from DM1.6575 at



igainst the Yen (¥ per \$)

the finish of trading in London. The dollar also weakened against the Japanese yen, fall-ing to Y156.45 from Y157.85 at the London close after selfing on Far East markets. Currencies, Page 44

BANK OF England report shows failure of Isle of Man government to supervise its financial industry properly before the crash of Savings and Investment Bank. Page 22; Lex, Page 22

SMITHKLINE Beecham. Angio-American pharmaceuticals company, said that despite a 7 per cent fall in its pre-tax profit for the first quarter of 1990, underlying prospects for the business were good. Page 30; Lex, Page 22

BRITISH & Commonwealth: banks and some other lenders to the troubled financial services group face write-downs totalling £175m (\$292.m) if the accept a rescue plan being cir-culated among the group's main preditors. Page 12

UK CAR prices are to be investigated by the Monopolies and Mergers Commission. Page 22: Analysis, Page 14 ASEA BROWN Boveri, Swiss-

group, is proposing to adapt Swedish technology for a C\$3bn (\$2.5bn) high-speed train linking Toronto and Montreal in Canada. Page 4

BRITISH AEROSPACE and Aerospatiale of France are to carry out a five-year feasibility study on a supersonic airliner to replace Concorde. Page 3 RUSH & Tompkins, British commercial property developer and contractor, owed banks

\$300m when it collapsed at the end of last month. Page 23 LEGO, Danish toy kit manufacturing group, was the only European among the world's 10 largest toy manufacturers last year with a sales increase of 15 per cent. Page 26

CHEMICAL Bank Corporation New York-hased holding com-pany, had its credit rating downgraded by Moody's Inves-tor Service, the international rating agency. Page 27 VOLKSWAGEN chief executive, Mr Carl Hahn, warned

the EC to be vigilant about how it allows access to Japa-NOMURA is to set up a European headquarters company in London in the first move of its kind by a Japanese secu-

rities house. Page 28 US is to press ahead with plans to move regulation of stock-index futures to the Securities and Exchange Commission (SEC) from the Commodity **Futures Trading Commission**

(CFTC). Page 27

UK orders partial stoppage to work on Channel tunnel

AN ORDER to stop work on a large part of the UK side of the Channel tunnel project has been made by health and safety inspectors, following the death on Monday night of the sixth workman on the site in the past 18 months.

the past 16 months.
Political and trade union pressure is mounting for a full review of Channel tunnel safety. Critics point to the fact that there has been only one death on the French side since work began at the beginning of

Last night Mr Michael Last night Mr Michael
Howard, the Employment Secretary, said he would be meeting Mr Phillippe Essig, chairman of Transmanche Link to
discuss safety issues.

The prohibition notice,
which is the first that has ever
been served on the project,
goes considerably further than
initial verbal requests from

initial verbal requests from inspectors to stop work after the accident. Tunnelling can-not resume on two of the five tunnels now under construc-tion until a schedule of safety improvements has been carried out by contractors.

Translink Joint Venture, made up of the five contractors designing and constructing the

THE EC's plan to create a single market by 1992 is having its first detectable impact on Europe's financial markets.

The Bank of England reported yesterday that business between European-based banks in the first nine months of last year was more than double that for the whole of the previous year.

This increase which the

Bank describes in its latest quarterly bulletin as "unex-pected," was in the Bank's view "almost certainly stimu-

lated by the plans for a single European market by the end of 1992."

In particular, the Bank says the surge can be traced to the further dismantling of

exchange controls in France,

Italy and Denmark last year, as

By David Lascelles, Banking Editor, in London

last night that they expected to be able to satisfy safety inspec-tors "within the next day or

However, they added that work would not be restarted until any additional require-ments of their own safety directors had been met. Mr William Cartman, 33, a.

Mr William Cartman, 33, a grouter, was crushed by machinery as he was apparently checking a joint between two segments of tunnel lining. Work stopped immediately and safety inspectors based near the site spent a large part of Monday night investigating the cause of the accident. The prohibition notice was served prohibition notice was served

on Tuesday. on Tuesuay.

The contractors were prosecuted in March for the third timeand were fined a total of 250,000 (\$83,500) for failing to take reasonable steps to ensure

take reasonable steps to ensure safety on the project.

A court heard that the death of a fitter brought to light serious flaws in safety procedures.

The Health and Safety Executive, the independent body charged under the law with enforcing industrial safety enforcing industrial safety standards, confirmed that the prohibition had been served under the Health and Safety at Work Act 1974. It was unable

1992 credited with sharp rise

bank markets.

would happen.

in European interbank business

of the big Japanese banks on continental European inter-

The figures cited by the Bank showed interbank desi-ings of \$31hn in the first nine

months of 1989 compared with \$39bn in all of 1988. This covers cross-border lending among banks, as reported to the Bank for International Settlements.

to lead to a sharp increase in the movement of money

around the EC, it was not clear bow quickly or how soon it

The Bank's report also shows that banking business is becoming more evenly spread around Europe. While London

remained the largest banking centre in Europe, its share of the total international lending

by law to give details of the improvements requested. The contractors said the notices applied to tunnel boring equip-ment in the two marine run-

ment in the two marine run-ming tunnels.

Work was proceeding as nor-mal on the three other tunnels.

The Transport and General
Workers Union, to which Mr Cartman belonged, yesterday called for radical changes to procedures at the site. Mr George Henderson, TGWU building workers leader, has written to the HSE saying that there needs to be a stop to "the carnage that is taking place in the production of the Channel tunnel."

He added that he would "not be satisfied with a response that there would just be a fur-ther investigation with a view to determining what action should be taken. I am calling for action to be taken now at the highest level about the unacceptable health and safety record on the Channel tunnel."

record on the Channel tunnel."
The union is also calling for company chairmen to be jailed where negligence by management can be proved and is attempting to co-ordinate TGWU-sponsored MPs to raise the issue of tunnel safety in Parliament.

points to 19.5 per cent in the first nine months of last year. However, the Bank notes that London consolidated its

position as the leading Ecu banking market, accounting for 31 per cent of all claims at the end of last September, with Paris second at 21 per cent. This suggests that the UK's reinctance to join the Euro-pean Monetary System is not effecting the UK's selliting to ex-

affecting the UK's ability to act as a marketplace for the EC's money unit, contrary to charges made by some critics of Government policy.

The big gainers in the mar-ket for international bank lend-

ing were the Netherlands with growth of 23 per cent, France (14 per cent), Luxembourg (12

per cent), Germany (11 per cent) and Austria (10 per cent).



Soviet paratroops marching in Red Square, Moscow, yesterday on the 45th anniversary of the Second World War's end. The banner reads: "Victory in the name of life on earth"

Fresh criticisms of Soviet military in Moscow press

By Quentin Peel in Moscow

Soviet military establishment came under fur-ther attack yesterday as it sought to boister its wilting prestige and self-esteem with an immaculate parade through Red Square and celebrations of Victory Day over Nazi Ger-many throughout the country. An article on the front page of Moskovskaya Pravda, the canital's Communist Party capital's Communist Party newspaper, quoted several young Russians who were sharply critical of the Red

Army.

"We should talk less about a great victory and more about a great repeniance," one of the young people said in a typical comment. "We waste money on the profession percent." terrifying parades, and the shops stand empty. Veterans trying to buy things out of turn infuriate people standing

Yesterday's criticisms fol-lowed President Mikhail Gorb-

was seen as a hig concession by Mr Gorbachev to answer growing discontent in the armed horces at their declining role in Soviet society.

achev's less than wholehearted praise of the Russian military at a gala event in the Bolshoi Theatre to mark the celebration on Tuesday night.

"We are far from being content with the modern state of the army, and of course it cannot be immune from criticism," he said. "We are going to consider seriously the questions of democratisation of life in the army and navy, and reconsider the role of the political departments in the ser-

President Gorbachev was loyally backed by his Defence Minister partly respected Mon-Minister, newly promoted Mar-shal Dmitri Yazov, who agreed that a military overhanl was essential – not least because the military threat to the Soviet Union still remained.

Yesterday's old-style show of force in Moscow, including at least three new items of mili-

tary hardware on the streets.

In the event, the perade may well have neither satisfied the critics, nor reassured the faith-ful. A vocal minority see Victory Day as an anachronism. The old-timers fear rather that all the apparent gains of 1945 bave evaporated in the past six

months of east European Away from the applanse in Red Square, the event was greeted with grumbles from the veterans of the Second World War, as well the sharp criticism from mambers of the

younger generation.
"There is a lot of talk nowadays that the war was waged in vain," said Mr N.V. Popov, a veteran from Tambov who lost his arm at Berlin. "It is too Continued on Page 22

well as to the growing presence market fell by two percentage Airlines in consortium seeking to buy majority DHL stake

By Robert Thomson in Tokyo and Lucy Kellaway in Brussels

A CONSORTIUM of Japan Airlines (JAL), Lufthansa and Nissho Iwai, the Japanese trading house, indicated yesterday that it was close to finalising a \$500m deal to take a majority stake in DRL International, the Brussels-based courier com-

Officials at DHL Japan said that a contract was almost certain to be signed soon for the consortium to take a share of close to 50 per cent. The con-sortium is also understood to be negotiating a 20 per cent stake in DHL Corporation, the San Francisco-based company responsible for North American operations.

Lofthansa confirmed that it was in talks with DHL over buying a minority stake. It refused to say whether the combination of minority stakes taken by members of the consortium would combine to form a majority stake. The link between DHL and the two airlines is a response by the courier company to closer ties generally between international courier firms and

The backing of three parents will strengthen DHL in an increasingly competitive mar-ket DHL - which, along with federal Express, the US com-pany, pioneered courier ser-vices in the late 1960s - is fighting to retain its dominant position in the light documents It is also attempting to

expand its share of the parcels markets which is dominated by Federal Express, United Parcel Services and TNT, the Australian group. In the last few years the European market has been the focus of competition, with all four acquiring national courier services.

The DHL talks come just before the planned deregulation of the incrative Japanese parcel delivery market which is expected to become one of the market growth arrest prints. the main growth opportunites in the next few years.

DHL officials indicated that JAL, Lufthansa and Nissho Iwai are likely to take shares

in the ratio of 2:21, and that

their shareholding in the pri-vate company will be increased from a small initial holding to

a majority stake over the next two years. A member of the consortium said that a signing date had been tentatively set for May 21.
The deal was apperently ini-tiated after talks between JAL and DHL last autumn. DHL, which celebrated its 20th birth-

day last June, was established by three Californian business-men in 1969. It claims to have been the first to make express air deliveries anywhere in the world. It now has offices in 183 countries, employing 20,000 countries, employing 20,000 people, and 100 aircraft. Its 1998 turnover was put at more than \$1.6bn. The number of customers has grown from 30,000 in 1973 to about 580,000. A DHL spokesman in Japan said that the deal is in the best interests of all the companies involved and that they that the little. involved and that the links with the two airlines will put us in a better position to compete with companies like Federal Express and United Parcel Service. Recently, JAL, Lufture. Air France and Cather thansa, Air France and Cathay Pacific announced plans to establish an international cargo information network.

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Nepal: King still sitting on top of a political President Bush braces for new Telethon opportunities A serious giggle for the goggle-eyed. Editorial comments A triumph for common sense: Whose pension surplus? Outsider's EC offensive: Sweden comes in

A European Central Bank: Time is ripe for institutional change Lox: Bank of England; SmithKline; Brent Walker; Trafalgar House; Jefferson Smurfit....22 Technology: IBM - how a market-led philoso-

phy will affect innovation 2,3 Britain 12-15
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4 Currences & money 44 Europe ... Companie

challenge to his China policy

Five months after he sent a secret mission led by General Brent Scowcroft (left) to Peking, US President George Bush still awaits a response. It weakens his hand as in Congress.

he faces a challenge Economic Viewpoint Editorial Comment ...

W York \$1.6783 (1.6705) \$1,6785 (1,6695) CM2.7475 (2.7675) FFr9.26 (9.30) SFr2.3575 (2.3925) Y252.50 (263.50) £ index 87.5 (87.6) GOLD New York: Comex Jun \$373.70 (372.0)

MARKETS

FFr5.5050 (5.5885) SFr1.4015 (1.4317) Y158.445 (157.55) Longon; \$370.75 (369.50) M SEA OIL (Argus) Brent 15-day Jun \$17.125 (16,925) Chief price changes yesterday: Page 23

DM1.6375 (1.6580) FPr5.5175 (5.5725) SFr1.405 (1.4330) Y158.45 (157.85) \$ Index 67.2 (67.7) Tokyo close: 157.03 US cicelan rates Fed Funds 82 % (84) 3-mo Treasury Sille: yield: 7.99% (8.04) Long Bond: 961 (967) yield: 8.86% (8.82)

Herr York: close DM1.6355 (1.65745)

140.50 (+0.6) New York: close DJ Ind. Av. 2,732.88 (-0.68) S&P Comp 30,945.61 (-24.97) LONDON MONEY 3-month interprets; ing 15% (15%)% long gift fature:

\$TOCK MENCES* FT-SE 100: 2,162.7 (-19.3) FT Ordinance

1,895.6 (-14.5) FT-A All-Share:

1,068.97 (-0.7%) FT-A World Index

German currency union talks hit snags

By David Goodhart and David Marsh in Bonn

NEGOTIATIONS between Bonn and East Berlin over the economic treaty upon which German currency union depends are running into difficulties.

Most officials still believe, however, that the treaty will be agreed and passed by both parliaments in time for the introduction of the D-Mark in early

Mr Rudolf Seiters, head of the Chancellor's Office in Bonn, said there were still problems over some of the welfare provisions of the treaty, which East Berlin says are inadequate, and over whether West Germans will have com-

plete freedom to buy land and property.
Other difficult areas include the treatment of East German companies' debts and the degree of independence East Berlin will have in setting its budget prior to full unity.
Within the East German coalition, the Social Democrats have been pressing hard for more generous treatment for pensioners and are also worried that

many do not include the generous pay-offs or "social plans" that West German employers must agree to when they

the labour laws envisaged for East German, and provisional agreement on an many do not include the generous payoffs or "social plans" that West German next week and should be endorsed by the Volkskammer (parliament) in early June. The treaty is also due to be

The junior coalition partners in the West German Government yesterday cautioned Chancellor Helmut Kohl against shunning Moscow's idea of forging German unity before working out all the military complexities, AP

ing German unity before working out all the interact complexities, Ar reports from Bonn.

The comments by Mr Otto Lambsdorff, chairman of the Free Democrat Party, appeared to underline an open split between Mr Kohl and his liberal coalition allies. Mr Lambsdorff said no hasty decision should be made. In a radio interview, he said in its "current form" Mr Shevardnadze's suggestion was not acceptable and that many details remained unclear. But the goal should be to "bring the external and internal aspects of unification under one roof — clarifying the question of full sovereignty for a united Germany and creating the conditions for that".

The East German textile trade union has called for national warning strikes today against the terms of the economic treaty. Nontheless, Mr Matthias Gehler, the East German Government spokes-

passed by the West German cabinet on May 18 before passing through the Bundestag and Bundesrat (lower and upper houses of parliament) on June 21 and June 22 respectively.

On June 17, German Unity Day, both German parliaments are expected to meet in the Reichstag in West Berlin, the site of Germany's pre-war parlia-

 A serious dispute is brewing over how the costs of unity should be shared between the central government and the 11 Linder (states). Bonn has proposed that the states carry one third of the costs. According to Mr Johannes
Rau, Prime Minister of North Rhine.
Westphalia, this would cost his state
DM5hn (£1.8hn) this year alone. The
leaders of the Länder will meet Mr Helmut Kohl, the Chancellor, on May 16 to
degrees the discrete.

mut Kohl, the Games, discuss the dispute.

The East German trade union federation, the FDGB, is to dissolve itself. A temporary committee made up of representatives from union executives will sentatives from union executives will take over its functions. In the mediumterm most East German unions are expected to merge with West German

W Germans accused over export policy towards east

WEST GERMAN companies are mainly interested in selling to East Germany and not help-ing to make East German industry more viable, accord-ing to a leading East German

Reflecting the hitterness of many East German managers, Mr Sven-Olaf Newlak, the recently-appointed General Director of the giant Kombinst (Group) Electronic Components, said most of his talks with German companies boiled down to selling their "surplus production" in East Germany. West German firms are no help to us as they do not want to contribute to the future sur-vival of our industry." he said. Mr Newisk maintained that

Japanese and French compa-nies, as well as a British elac-tronics firm owned by the Jap-anese, with whom he was talks, were showing more readiness to produce in East

Germany.

Speaking at company headquarters in Teltow, just outside
West Berlin, Mr Newisk said
the Japanese were interested
in establishing a Common Market production base in East Germany and that he was pre-pared to enter into a deal with a Japanese company to pro-duce in Tellow.

"I would not be so happy to have them here but in our serious condition the Japanese would be good for us," he suggested.

The situation of his Kombinat with sales of DM2.7on (\$1.6bn) last year, crippling debts and 26,000 employees was "extremely serious but not without a chance," he said. without a chance," he said.
Twenty per cent of current output was competitive, Mr Newiak said, and 50 per cent could
"theoretically" be made competitive if he could get investments and rationalise production. The remaining 30 per cent
of output would have to be

arrapped.

"If I could get only DM3m to invest I could sell 300m components on the world market," he said. A West German banker visiting the Kombinat said he was reluctant to provide a

Mr Newiak admitted that under market conditions, which will prevail after the introduction of the D-Mark on July 2, his Kombinst had twice as many workers as needed. It was anyone's guess whether unemployment country-wide

unemployment country-wide would rise to "only" Im or 3m in the near future.

The 43-year-old manager left the Communist Party only last January but still retains a plaque on the wall of Marx. Engels and Lenin. He received his scientific doctorate in the Soviet Union and sained inti-Soviet Union and gained inti-mata knowledge of the Soviet electronics industry.

"Enormous potential" existed for East German indus-

They are interested in bar-ter trade with us - swapping

our products for energy, raw materials and machinery - and we could boost our sales ten-fold to Comecon," he suggested. Compensation trade with Comecon might give the Kombinat desperately-needed time to change its product line and get costs under control. The imminent conversion of his state-owned Kombinst into

his state-owned Lomman; muo a joint stock company, how-ever, is unlikely to change its prospects for survival. This will depend on finding Western partners who are interested in tapping the company's main resource, its highly-trained engineers and skilled workers.

Bulgarian opposition may fail to oust ruling socialists

By Judy Dempsey

BULGARIA'S broad-based opposition will return land to the peasants, introduce a market economy and guarantee rights for all its minorities if it is elected on June 10. But such well win 50 per cent of the promises may not be enough

for it to win the first free elec-tion for over 45 years.

Its manifesto was published this week by the Union of Dem-ocratic Forces, which acts as

The UDF consists of parties ranging from Eco-Glasnost, one tion groups set up in 1988, whose leaders were either disership, to Podkrepa, the rap-idly growing free trade union

movement.
The UDF's commitment to returning to their original owners or their children all land confiscated by the communists in the lata 1940s is seen as an attempt by the movement to broaden its base to the peasentry. Such proposals were rejected last week by the com-munist-dominated Govern-ment, which recommended

small private farms should not be restored but the right of ownership be given to those who cultivate the land.

Despite a swelling of support for the UDF earlier this year among the younger generation and intellectuals, the revamped communist party has in recent weeks gained momentum. This is partly due to the personality of Mr Andrei Lukanov, the Prime Minister, who is regarded as one of the few

conjugate discuss capable of coping with Bulgaria's economic crisis. In March the authorities announced Bulgaria would temporarily suspend payment on the principle of its debt owed by the Foreign

Trade Bank. In addition, the BSP, as it is repeatedly reminded by the opposition, can rely on a vest media and organisational net-

VW chief warns EC on Japanese

By Andrew Flaher in Wolfsburg

VOLKSWAGEN'S chief executive, Mr Carl Hahn, warned the European Commu-nity yesterday to be vigilant about how it allows access to

Japanese cars.

The hitter experiences that the US industry has had with Japan must be considered in the industrial policy of the EC, even if this means that some principles of current economic policy have to be examined," he told the company's annual

news conference.
His statement was made in the context of the European debate about the impact of growing Japanese car sales, especially on hitherto pro-tected markets, after the inter-nal EC market comes into

nal EC market comes into being in 1993.

In the US, the Japanese have built considerable car-making capacity, adding to the overcapacity which has depressed the market. Japanese companies are moving to an annual output of 2.5m vehicles there in the early 1990s.

par of 2.5m venicles there in the early 1990s.

Baly, France, Britain, Spain, and Portugal all restrict the entry of Japanese vehicles into their markets. The debate in the BC centres on how the transition from such bilateral. curbs to a uniform European approach can be made.

Ozal could lift communist ban By Jim Bodgener .

in Ankara BANS ON Communist and religious parties in Turkey could be lifted without fact,

President Turgut Ozal said yes-terday. before a cabinet meeting to dis-cuss the question, Mr Ozal said cust the question, Mr Ozal said that Turkey was well balanced by comparison with other Islamic countries, having no extremists or hardliners. Islamic parties would win only 3 or 4 per cent of the vote in a general election, he said.

Last week, an Ankara state security court surprisingly

security court surprisingly released two Communist lead-ers, arrested on their return to Turkey in 1987 ostenzibly to contest the general election

Communists drop key Paris censure motion

THE FRENCH Communist Party, holding key votes in an opposition censure motion over an amnesty for corrupt politicians, last night dropped a threat to topple Prime Minister Michel Rocard's Socialist government, write our Foreign Staff.

Communist parliamentary leader Andre Lajoinie said after an emergency meeting of the party central committee that they would not join the conservatives in a vote for a censure motion against the Government, which would have come close to forcing the Administration to realgn.

The proposed censure condemned the Government for endorsing a political amnesty which has, in practice, exenerated politicians charged with using corrupt methods to raise party funds.

The doubt about Rocard's survival led to a drop in the French

Luxembourg's Nato envoy quits

Luxembourg's envoy to Nato has quit after committing a minor breach of security, Mr Jacques Poos, Foreign Minister, said yesterday, AP reports from Luxembourg.

He said in parliament that Mr Guy de Muyser, 64, resigned on April 25 after the Government learned he "had breached security rules" at Nato. Mr de Muyser will remain envoy to Belgium, Mr Poos said. Luxembourg traditionally combines the two Brussels ambassadorships.

ambassadorships.

Sources said the security breach stemmed from several trips Mr

De Muyser made to the Soviet Union where he gave out Nato
documents whose contents had already been publicly reported. On April 25, the Government, citing "preventive reasons", withdrew Mr De Muyer's security clearance denying him access to secret Nato papers and effectively forcing his resignation the

US backs down on CFC funding

The US yesterday backed down from a commitment to make additional funds available to help Third World countries develop additional funds available to help Third World countries develop alternatives to CFCs (chlorofluorocarbons), according to Friends of the Earth, the environmental organisation, writes John Hunt.

Ms Finna Weir, air pollution campaigner for FoE, said that this was made clear by Mr Richard Smith of the US State Department at a Geneva meeting of the signatory countries of the Montreal Protocol, the agreement to phase out CFCs which are the main source of damage to the ozone layer.

She said the US announcement came under attack from representatives of Jamen Australia. Scandinavia and the Engagen.

المقتمت

She said the US announcement came under attack from representatives of Japan, Australia, Scandinavia and the European Community at the meeting.

Officials were discussing methods of establishing an aid programme to help the Third World avoid the use of CFCs in aerosols and refrigerators. Ms Weir, who was an observer in Geneva yesterday, said that at a previous meeting the US, together with other member, countries, had agreed to provide additional funds for such aid.

But the said that restrantes Mr Smith said that the aid should

But she said that yesterday Mr Smith said that the aid should not come from new money but from the redirection of World Bank funds. The decision would be a blow to the Montreal Protocol meeting in London next month.

Soviet nuclear plant planned

A Soviet nuclear export company plans to start up by the end of the century the first block of a 6,000 MW nuclear plant which will be sited 70 km from the Soviet border with Finland, writes Enrique Tessieri in Helsinki.

Mr Anstoli Ozerov, the Helsinki-based representative of Atome-nergozaport, the Soviet company, said feasibility studies in Knol-iunkijärvi would be concluded by next year. However, Mr Ilkka Suominen, the Finnish Minister of Trade and Industry, said he had no information about the plant.



The MoDo Group is one of the largest groups in the world active solely in the forest industry.

The business is focused on the production and

sale of wood-free fine papers, woodcontaining printing papers, paperboard and pulp. In addition, the group produces and markets sawn timber products, packaging paper, paper sacks, and plastic sacks etc.

In 1989, the group's turnover was SKr 18,769m. Some 80% of total sales went to countries outside Sweden.

The operating profit in 1989 amounted to SKr 2,672m.

Most of the production units are located in Sweden, but the group also has whollyowned and partowned production facilities in several other west European countries, including Great Britain, France, West Germany, Belgium and Spain.

The MoDo Group has its own powerful marketing and sales organizations (marketing companies, paper merchants, distribution terminals, etc.) in Western Europe and the United States as well as agents in many other countries.

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EUROPEAN NEWS

BAe and Aerospatiale set up five-year joint study into a 'new generation' Concorde



BRITISH AEROSPACE and Aerospatiale of France are to carry out a five-year feasibility study on a supersonic airliner to replace Concorde, writes Paul Betts, Aerospace Corre-spondent. The decision on whether to go ahead with what would be a \$10hm produc-tion programme would be made in 1995, Mr Henri Martre, Aerospatiale's chair-

an, said yesterday. Mr Bob McKinley, managing director of BAe's commercial aircraft division, said the two companies would be studying

and commercial aspects of producing an aircraft capable of carrying 275-300 passengers to enter service between 2005-2010. The 13 Concordes in operation on British Airways and Air France transationide. and Air France transatlantic routes are expected to be retired in 15-20 years' time.

Any second generation supersonic airliner (an artist's impression of which is pictured left) is expected to have a longer range than Concords to enable it to make non-stop flights across the Pacific.

Hungary opposition wants rapid pull-out from Pact

HUNGARY'S opposition party yesterday called for the country to with-draw from the Warsaw Pact in a surprise move which will exacerbate growing tensions within the governing coalition.
The liberal Alliance of Free Democrats tabled an emergency parliamentary motion to restore the declaration of the revolutionary government of 1956 withdrawing Hungary from the Soviet-led military

Government should immediately remove Hungarian armed forces from the joint command of the organisation even before negotiations with the Soviet Union on the withdrawal from the Warsaw Pact are complete. The initiative, the first of its

kind in eastern Europe, catches the Hungarian Democratic Forum, the conservative party which leads the new Government, off balance. Many Forum MPs and members sympathise with the proposal although it runs counter to the cautious foreign policy espoused by Mr Jozsef Antall, the Forum's prime minister-designate, and Mr Geza Jeszenszky, the likely foreign minister-

Moreover, leaders of the independent Smallholders'



Antall: new challenge

Party, the Forum's main coalition partner, responded favourably. "It is impossible for us not to support it," said Mr Jozsef Torgyan, leader of the Smallholders in parliament.

This new challenge to Mr Antall's control over his party and the coalition comes amid

the Forum gave the presidency to the Free Democrats.

The Forum leader forced the agreement through his party and did not consult the rest of the coalition. At the time, the reconciliation between the two

mounting disaffection with the last week's pact under which

main parties was welcomed by the international financial community and many Hungarating a stable democracy in Hungary and ensuring a work-

ing government. But the Christian Demo cratic People's Party, the minor party of the conserva-tive coalition, now says it does not accept the agreement and will give only passive support to Mr Antall's Government. The party has, however, indicated that a concession by Mr Antall on ministerial posts may be enough to bring it back into the fold.

Potentially more damaging is the widespread opposition to the deal with the Free Democrats within Mr Antall's own party. Mr Csaba Klss, the Forum's spokesman, admitted that "the division is very

Any retreat to dissipate the growing tension within the coalition would undermine for-eign confidence in Hungary's new Government and in Mr Antall's authority. Despite Mr Antall's declarations of Hun-gary's willingness to fully ser-vice its debt, discounts on Hungarian debt - previously minimal - have grown to 18 per cent since the Forum's election victory.

Madrid economic policy on the line at union talks

By Peter Bruce in Madrid

THE Spanish Government and trade unions are due to begin a round of negotiations today that could make or break Mad-rid's fragile efforts to slow the country's buoyant economy without dragging it into reces-

The two sides will start the second phase of their concerta-cion in the wake of a warning from the International Monetary Fund that wage agree-ments are spinning out of con-trol so quickly they could threaten economic gains made since Spain joined the Euro-

pean Community in 1986.
Employers are seitling pay deals at around 8.6 per cent, more than a full point up on last year and well shead of an already rising rate of inflation.

The Government, which has meeting union pension and minimum salary demands, has now invented what it calls a "competitiveness pact", a thinly disguised wages agree-ment designed to ensure that

any real increases are offset by growth in productivity. Few people question the need for a combined effort to bring the economy into line. Despite a tough credit squeeze imposed by the Bank of Spain more than a year ago to cool the economy, inflation, money supply and credit growth are all increasing uncomfortably

There is no sign of interest rates falling from their 16 per cent levels, and the strong

peseta is hurting industry.

The credit squeeze is causing unexpected damage to industrial production. Companies, mainly in the public sector, have begun to issue their own commercial paper to generate new funds to finance exports and investments. That, in turn, is making it harder for the Government to ease its leading Government to ease its lending

restrictions.

Mr Felipe Gonzalez, the Socialist Prime Minister, is looking for a deal to last through to the end of 1993 and is trying hard to clear the way for agreement on issues the unions feel strongly about. In an interview late last month, Mr Gonzalez made it clear he felt employers were hiring too felt employers were hiring too many people on temporary

"I have to say that if there are any excesses (in the labour markets) it is in the hiring of people on temporary contracts for jobs that would normally

The Government had promised the unions they would be allowed to vet all job contracts. But trouble flared earlier this week when the authorities appeared to back down and referred only to temporary contracts. The law recognises cer-tain jobs as being, by nature, permanent, and the unions badly want the right to check contracts. The dispute could even delay the start of the

Overall, though, the tone is conciliatory, and a far cry from the atmosphere two years ago when the country's biggest union, the Union General de Trabajadores, split from the Socialist Party over the conser-vative drift of government poli-

In the first phase of concerta-cion in January the Govern-ment made concessions worth close to \$3bn (£1.79bn) to meet union demands. It has been criticised, not least from within the Bank of Spain, for undermining efforts to cool the economy – less than a year after it succeeded in placing the peseta with the "disciplined" exchange rate mechanisms. nism of the European mone-tary system.

Commission toes the freer British line on takeovers

AKEOVERS ARE a good thing because they allow the market to pick its own winners and enable industry to restructure quickly, expanding and changing to meet new market challenges. They are essential if Europe is to compete against Japan and the US.

12.14

This typically Anglo-Saxon view was stated clearly by the European Commission this week, as it announced its new collection of measures to reduce barriers to takeovers. its plans, taken with the 29 existing measures in the area, could mean a change in the behaviour of many continental companies, and would extend the relatively relaxed takeover principles accepted in the UK to the rest of the Community.

Lucy Kellaway reports from Brussels on the latest proposals to ensure a level playing difficulties may simply add to field for pan-European with difficulties already mercers and ensure a level playing acquisition activity

The new proposals would limit the ability of companies to swallow poison pills, restrict the issue of non-voting shares and make it easier for shareholders to dismiss non-performing directors: They are in response to

British pressure to do something about the lopsided slope of the European takeover field — with 80 per cent of all takeovers in the UK, and hostile bids on the Continent

still very rare. In particular the measures would mean that: Boards of directors could be dismissed by a simple majority of shareholders.

 Companies could not buy back shares beyond 10 per cent of their equity without calling an extraordinary general meeting for approval.

Purchases of a company's shares by its own subsidiaries would be included in overall

limits of share buy backs.

• A subsidiary's shares in its parent would have its votes suspended if a takeover for the parent had been launched. • The restrictions on non-voting shares would be further limited. The issue of

non-voting shares (currently permissible so long as they have other compensating advantages attached to them) would be limited to 50 per cent of the capital.

It would no longer be possible to limit the number of votes that any individual can

The Commission has decided

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form of amendments to three existing directives, two of which are awaiting agreement and one of which is already in

The measures would make a comprehensive collection,

comprehensive collection, hitting at almost all the technical barriers to takeovers, and addressing most of those highlighted in two recent consultants reports prepared last year by Coopers & Lybrand and Booz Allen.

Despite the breadth of the Commission's plans, the likelihood of them leading quickly to a more takeover-friendly Europe is doubtful. First, as last year's reports pointed out, most of the barriers to takeovers are cultural rather than technical. The very thrust of the scheme is controversial, as cheme is controversial, as many countries are ideologically opposed to the takeover culture; moreover the new amendments to existing diffections may admit add to

The fifth directive, which has been awaiting agreement for almost 20 years, contains some 150 different articles, covering such issues as the duties of directors, the rights of minority shareholders and the conduct of annual general

meetings.
Although most countries have problems with some parts of the directive, the most serious black is a proposal for worker participation, which continues to meet the unbending resistance of the

By contrast, the 13th directive, which covers the behaviour and conduct of takeover bids, is making

alightly better progress.

It lays down that a 33 per cent shareholding must trigger a full bid, specifies bid timetables and provides for a supervisory authority in member states to police the behaviour of parties during a

However, there are doubts However, there are doubts' from many member states. Even those countries which are in favour of Community measures disagree on the flexibility of the system.

Britain would like the bodies in member states to be given considerable leeway in interpreting the rules, while the French and Italians would rather all was written into the

rather all was written into the directive at the outset.

Assuming these problems can be overcome, there is the further difficulty of how to make countries abide by the agreement. Of the 13 directives that have been adopted, few have been fully implemented by member states, and those that have are not widely

The fourth directive, which deals with the content and publication of accounts, was meant to have been implemented by 1982. Even though nine countries have changed their laws accordingly, compliance with the rules is patchy at best in most places except the UK.

The latter has been pressing the Commission to do

the Commission to do something, and doubtless it will shortly start to put on the moral pressure.
Information is the first stage to the takeover process and if companies do not even have the most rudimentary information their way may be blocked, regardless of how



US services sector urges White House to retain right to trade sanctions

By Peter Montagnon, World Trade Editor

THE US services sector wants the Bush Administration to retain the right to take unilateral action against its trading partners under Section 301 of its trade law as part of the results from the Uruguay Round of trade negotiations, Mr James Robinson, Chairman of American

"It's my observation that the service sector believes it's important to keep Section 301." he said in an

this week. Outlining the ambitions of the services industry in the round, Mr Robinson also said the sector was not just looking for promises for the

It wanted actual agreement to roll back some existing barriers to trade in services as part of the final package as well as a credible dispute settlement system that would allow for This highly controversial term describes the ability of a country

facing barriers in the services sector to exact compensation by restricting the offending party's trade in goods. It is currently permitted under US

Mr Rohinson, a prominent sup-porter of Urnguay Round efforts to liberalise trade in services, said the US services industry would either be neutral or vocal in its opposition to the Uruguay Round result if it did not include an agreement on trade in

US officials have said they need US officials have said they need strong support from a broad range of interests, including the services sector, to pilot the final agreement through Congress. This is because the agreement is likely to involve reduced assistance for some heavily protected industries such as the politically powerful textiles sector. However, Mr Robinson's remarks suggest that the US services sector will subject any final agreement to careful scrutiny before deciding on

Though developing countries had been reluctant to liberalise trade in services, he said there was a differentiation in their position now and they were not behaving as a bloc. Also they should recognise that, without an agreement on services in the Uruguay Round, the US would step up its bilateral actions, he said. A comprehensive Uruguay Round result was, however, still the main priority for the US, he said. Any

thing short of that would be "a very distant second choice".

The US and other industrial countries were making progress in the services negotiations, he added. He said he had been assured by the US. Treasury that, after some uncertainty, it was now prepared to see financial services included in an agregation.

agreement. The US services lobby was also working to druin up support in the airline industry, hitherto a reluctant player.

Telecoms practices to take centre stage at talks in Geneva

Hugo Dixon explains how the telephone cartel's artificially high prices damage international economic development

NTERNATIONAL telecommunications practices are moving again into the trade arena this week.

As trade representatives meet in Geneva to negotiate the extension of the General Agreement on Trade and Tariffs to services, one of the
items on the agenda will be
how to free the world's telecommunications markets. They are likely to authorise a new committee, which is due to meet for the first time next month, to draw up a special annex to go with the main framework agreement on ser-

The rules governing trade in

mined by the phone companies themselves or ministries responsible for telecommunica-

The interest of the trade ministries has been sparked not only because the telecomnot only because the telecom-munications services industry is increasingly important in its own right but because it plays a vital role in enabling all other industries to trade. Service industries such as insurance, banking and air transport are heavily depen-dent on telecommunications; respuratorying industries are

manufacturing industries are also coming to rely on elec-tronic means of communication to the together operations that are dispersed across the and involces with suppliers in other countries. Although there seems to be

general agreement that the Gatt services negotiations should include a special tele-communications annex, discussions on the details of that annex are at an embryonic

annex are at an embryonic stage.

The only paper so far on the table, from the US, focuses on freeing the US is concerned that the high prices and tight restrictions on the use of such circuits is holding back the development both of private networks that are used by multinational companies for internal communication and of nal communication and of

However, the Gatt negotia-tions provide trade ministers with the opportunity to attack a much greater distortion to world trade. This is caused by the artificially high prices users are paying for ordinary international calls.

The Financial Times revealed last month that con-sumers across the world were being over-charged more than \$10km a year for international calls and that prices were on average three times costs as a result of cartel practices among the world's phone com-

panies.
Although the US paper does not address this issue directly, there are several ways in

which Gatt could act to bring which Gait could act to bring prices down in line with costs. This could be done by following the US approach, which concentrates on restraining the phone companies from abusing their monopoly positions rather than challenging the right of countries to maintain monopolies for providing basic

monopoles for providing basic telecommunications services The US draft annex says users should be able to get access to basic services at "rea-sonable and nondiscriminatory rates". As it stands, the lan-guage is probably too vague to prevent phone companies over-charging for international calls but it could be toughened

Another way of combating the cartel's practices would be through the general provision on transparency that will be contained in the framework services agreement. This could be a powerful tool because the cartel's practices are far from transparent.

cartel's practices are far from transparent.

First, it could be used to shed light on the accounting rate system, a method of sharing revenue which penalises phone companies which cut their international prices. Accounting rates are considerably above costs but it is difficult to say how far out of line they are because only the US publishes its rates.

Second, it could reveal the

nies are using their monopoly profits from international calls to subsidise local phone calls and postal services. The phone companies have traditionally argued that the cross-subsidy is large but, in most cases, their claims have not been investigated and the size of the subsidies have not been quanti-

The Gatt negotiations pro-vide the best opportunity for tackling the international phone cartel on a multilateral basis. So long as the regula-tions covering international telecommunications decided by bodies such as the international Telegraph and Telephone Consultative Committee (CCITT), whose eco-

But the involvement of trade

ministries, which have a responsibility to look to the health not just of their phone companies but of their economies as a whole, offers the chance of more speedy action.

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Construction in Asia to expand 20 per cent

THE VALUE of construction projects in southeast Asia is poised to expand by 20 per cent a year over the next decade, with about \$300bn-worth of with about \$30000 worth of new contracts coming on stream, according to Mr Kong Yee Peng, exacutive director of the Master Builders Association of Malaysia, Reuter reports from Ruals Lumpur.

The boom stems from strong

economic growth among mem-bers of the Association of South-East Asian Nations (Assun), analysts said here at a regional seminar on construc-tion, and that \$300bn could be a conservative estimate. It would be fuelled largely by would be tuened largely by infrastructural investments launched by governments struggling to match a surge in industrial activity.

The Manila-based Asian

Development Bank last week forecast an average 7.2 pct growth in gross domestic product (GDP) for the six countries nei, Indonesia, Malaysia; the Philippines, Singapore and Thalland.

Most construction intest-tent in the region will be seen in Indonesia and Thailand, whose infrastructures are being stretched by local and

foreign investments in other sectors. The Japanese are particularly active, Mr Kong said.

Banking credit for construction projects in indonesia ross 1985, Mr H. Surasa, president of Indonesia's Bank Bumi Daya, said. The figure will rise even higher in 1990 in line with the expansion of Indonesia's

development budget, he said.
"Rapid economic expension
has resulted in a serious shortage of infrastructure such as highways, ports, electrical power and telecommunications facilities," Thalland's Deputy Foreign Minister Prapas Lim-pehandhu told the saminar. "The total value of (Thailand) construction in 1989 was 221bn baht (\$8.5bn) or 12 pct of

GDP," he said.

Malaysia plans to spend 80hn
ringgit (\$29.6bn) on government projects in its 1991/1985
five-year development plan, a
senior Malaysian government
official said. official said.

Malaysia is experiencing an overflow of foreign investments rechanneled from That and, which is facing bottlenecks as industrialisation exceeds infrastructure

UK groups win Soviet contracts

BICC Data Networks of Hemel Hempstead in the UK, part of the BICC Technologies group, and Spec, a UK technology distribution company specialising in the Soviet Union, are combining to develop the Soviet data communications market, writes Alan Cane.

data communications market, writes Alan Cane.

Spec has won Soviet contracts worth £3m for which BICC is supplying advanced computer communications technology including fibre optic cabling.

BICC's share of the deal will be between £1.5m and £2m. The first use of the technology will involve construction of a network to link 18 buildings.

rk to link 18 buildings in a Criment industrial com-

It is BICC's second recent east European deal. The first, worth fim, involved the sale of computer network equipment to Hungary.

Toyota to set up Turkish plant

TURKEY'S State Planning Organisation has granted an investment encouragement cer-tificate to Toyota of Japan to establish an assembly plant for cars and commercial vehicles, writes Jim Bodgener in

Ankara. The project, which is in conjunction with Haci Omer Sabanci Holding, the leading Sabanci Holding, the leading Turkish industrial group, requires a total investment of \$325m and was recently approved by the Turkish cabinet along with a similar one for Pengeot/Circon.

Starting in 1993, the Toyota

venture plans to make up to 100,000 units annually at a production line to be established near Adapazari in north-west Anatolia. Japan's Mitsul may take a 10 per cent stake. The shareholding will be split equally between Sabanci and the Japanese interests.

HA-

Canadian interest mounts in rail link

By Bernard Simon in Toronto

ASEA Brown Boveri, the Swiss-Swedish electro-techni-Swiss-Swedish electro-technical group, is proposing to adapt Swedish technology for a Ca3m (21.5m) high-speed train linking Toronto and Montreal, Canada's two higgest cities.

ARB's proposal, based on the train which comes into service hatman Stockbolm and Coth. between Stockholm and Goth-enburg this year, was unveiled in Toronto yesterday amid growing government and industry interest in a high-speed surface link through Ganada's industrial heartland.

Bombardier, the Montrealbased transport equipment company, has also expressed interest in the project with a preliminary C\$5.3km proposal. Bombardier has North American rights for GEC Alsthom's Train à Grande Vitesse (TGV) technology. Its bid depends on government funding as well as outside investment.

The Bombardier project envisages trains running at up to 340 km an hour on new track, coming into service by

1996. While the ABB train would be slower, it would use existing track and could be in service within three years. Although the high-speed trains would initially be confined to the 500 km run between Toronto and Montreal, the ser-vice if successful would be extended to Quebec City in the east and Windsor, Ontario, in

• William Dullforce reports from Geneva: Asea Brown Boveri's Swiss waste incineration subsidiary, W+E Unwelttech-nik in Zurich, has secured a SFr100m (£42m) contract to build one of the world's biggest household refuse incineration plants for the city of

The contract, in which W+E is partnered by Hollandse Constructie Groep, was won in an international bid contest held in accordance with the European Community's 1999 press an Community's 1992 preferred rules of competition. The same partnership previously built a special waste incinerator for Rotterdam.

OVERSEAS NEWS

Eight Kuwaiti pro-democracy activists arrested

By Victor Maliet, Middle East Correspondent

ruling al-Sabah family and pro-democracy activists came to a head yesterday when the Government announced the arrest of eight Kuwattis who have been campaigning for the restoration of parliament.

sanction'

The arrests at a meeting on Tuesday night mark a new and more serious phase in the sixmonth political battle between Sheikh Jaher al-Ahmad al-Sabah, the Emir, and the pro-democracy faction led by a

group of 32 former MPs.

There have already been clashes between the security forces and thousands of demonstrators over the issue of the National Assembly have the finite forces. National Assembly, but diplomats in Kuwait expressed surprise about the decision by the authorities to raise the stakes

and arrest leading politicians. Sheikh Jaber suspended the assembly at the height of the Gulf war between neighbouring Iran and Iraq in 1986, but held talks with the protesters this year and decided to establish a four-year interim assem-bly to map out the country's constitutional future.

Many of the former MPs and

many of the namer MPs and their supporters, convinced that Sheikh Jaher is trying to buy time and delay the restora-tion of parliament indefinitely, have decided to boycott the June 10 elections for the interim assembly, and most of the candidates are political unknowns.

unknowns.

The boycott movement has angered the al-Sabah family, which is under pressure from Sandi Arabia not to allow democratic influences to spread into the Arabian peninsula. Among the eight arrested were Dr Ahmed al-Khatib, a

CONFLICT between Kuwait's nationalist ex-MP who warned earlier this year. "We hope for peaceful change, but if people are frustrated violence cannot be ruled out."

The Government's critics include leftists and Moslem fundamentalists. They have used diminipus – traditional

used dimanipus — traditional male gatherings at people's homes — to air their grievances in the absence of any other political forum.

Opposition activists said the eight were arrested when security forces stormed the dimanipu of Mr Abdul-Mohsen al-Farhan and assaulted some of the 200 people attending the meeting. The Interior Ministry said it was an illegal gathering. said it was an illegal gathering, but it was not clear vesterday what charges the detainees would face.

Politicians said a second discretized as setting of the authorities on Tuesday. Another former MP, Sunni Moslem fundamentalist Mr Ahmad Baqir, was arrested on Monday for distributing leaflets. distributing leaflets. In an embarrassing coinci-

dence for the Kuwaiti authori-ties, an Amnesty International delegation was on its way to Kuwait from London yesterday to monitor the trial on May 12 of a group of Shiz Moslems accused of subversion:

Few of the pro-democracy activists challengs the right of the al-Sabah to rule Kuwait, but they believe that freedom of speech is essential for the running of a modern state. The National Assembly's oppo-nents, on the other hand, say it was a divisive institution which antagonised Kuwait's powerful neighbours in the Gulf.

Saudis to open stock exchange

SAUDI ARABIA WILL Introduce a regular stock exchange later this month, a high-ranking finance official said yesterday,
AP reports from Riyadh.
Mr Ahmed al-Malik, deputy
governor of the Saudi Monetary Agency, which acts as a
central bank, told the newspaper Okaz that the bourse will

be opened on May 24. Mr Malik made the statement after a meeting of Same branch managers in the city of Tobuk, north of the capital

The kingdom has allowed dealings in shares and stocks through banks and special financial houses. Mr Malik said the future of these houses had not yet been determined. He says no other details on He gave no other details on the governing statutes for the stock market or the rules and regulations for dealings.

Among neighbouring cour tries in the Gulf, the central island state of Bahrain is developing a stock exchange it opened about a year ago with the hope of becoming the financial centre of the region. Kuwait has an active official stock exchange, while Oman has a fledgling one. Gulf countries have been

Guif countries have been moving cautiously with the development of stock markets after Kuwait's experience with Al-Manakh, the unofficial stock exchange which collapsed in 1982 under the weight of \$84hn of postdated absence. But they now went to cheques. But they now want to use stock markets to prevent private Arab savings from

flowing abroad.
Sama figures earlier this
year showed that the total
value of shares traded in Saudi Arabia in 1988, through the financial houses, was Riyal 3.4bn (2567m), 65 per cent up

Lagos monetary curbs prove their point Our Correspondent looks at measures that cut money supply and reduced imports HOSE African countries

hattling to control the two critical factors in economic recovery proon the continent - exchange rate and inflation - might find the Nigerian experience

The credit squeeze intro-duced last year by the authori-ties in Lagos illustrate just how effective monetary policy

A year ago, inflation was running at well over 50 per cent, largely because the naira had been in free fall from N4.5 to the dollar in early 1988 before levelling off (it currently stands at N7.8 yesterday) but also because the money supply had jumped 64 per cent over the same period.
Although the Central Bank
of Nigeria had posted credit

or Migeria had possed creating cailings limiting growth to only 3.5 per cent in bank lending, actual figures showed 25 per cent credit expansion. With the International Monetary Fund demanding effective meagap between the exchange rate for the naira determined by the auction of available foreign exchange and that ruling in the interbank market, the Nigerian authorities finally turned off the monetary tap in April and June last year. In April reserve and liquidity ratios were increased. But this

was far less important than the May measures banning banks from making naira loans to their clients on the strength of foreign currency deposits held abroad, and instructing peras-tatals to shift their deposits from the banking system to the Central Bank itself.
At the stroke of a pen, the

money supply was cut by almost 10 per cent and inter-bank interest rates doubled. The impact on the economy was little short of dramatic. Businessmen who had been forced to maintain literally dozens of bank accounts as a means of scraping together enough foreign exchange at the foreign currency suctions, found themselves short of naira. With overdraft money costing at least 27 per cent, firms responded by reducing import buying orders and cut-

ting working capital require-ments wherever possible. In many cases, their difficulties were compounded by a collapse of consumer demand in the face of rampent inflation and the credit crunch. Industrigoods, resulting in further cuts in the demand for foreign

So it was that within a matter of months, Nigeria was transformed from a naira-surplus economy to naira drought. The impact on inflation and in the foreign exchange market was immediate.

The gap between the auction and parallel market rates of exchange fell from more than 40 per cent early in 1989 to ground 15 per cent earlier this year. Inflation, which on the official index, had peaked at 57 per cent year on year in March, had fallen to 28 per cent by December, Indeed, in the latter half of the year, the price index fell by some 5 per cent.

But the success of mone-tary policy brings prob-lems of its own, notably pressure which puts some of the smaller banks at risk.

In the last four years, the
number of banks has more
than doubled from 41 - 29 commercial and 12 merchant - to close on 100. Many of the newer banks came into the market to exploit the foreign currency auction system, whereby every approved opera-tor was guaranteed a minimum

mid-1989 credit crunch a bank licence was almost a licence to print money, by dealing in the foreign exchange market.

This no longer applies, and the air is thick with dire fore-casts of a banking crisis and enforced bank mergers as some of the smaller banks go to the wall. Indeed, last year the authorities had to provide a safety net for some banks whose dependence on parastal deposits was so great that they became technically insolvent almost overnight. Fortunately, Nigeria does have a insurance scheme which guarantees the funds of smaller

For the banks sharply higher interest rates are a decidedly mixed blessing. The lucrative foreign exchange business has lost much of its attraction, while those banks that depended largely on either par-astatal deposits or on inter-bank funding continue to have a torrid time.

The likelihood is that there will be a shake-out in the industry over the next two years, particularly if the tight monetary stance is maintained. While the 1990 credit guide-lines allow banks a 125 per

growing stocks of finished application of dollars. Until the cent rate of credit growth compared with last year's 10 per cent, the ceilings will this year apply to all credit granted to the private sector, whatever

form it takes. As usual, the smaller banks are allowed to expand their credit more rapidly, but the signs are that - so long as the public sector deficit is curbed - high interest rates will prove much more effective than credit ceilings, as in 1989, in controlling money supply.

Government borrowing is the joker in the pack - the more so as the return from military government to civilian rule in 1992 looms ever larger.
If the authorities can keep a tight rein on their spending and borrowing - which will become increasingly difficult in the run-up to 1992 - then it should be possible to start easing the squeeze next year, especially since inflation will

continue to slow.

At the same time, bankers are right to warn that a policy of squeezing the private sector while turning a blind eye to public spending — on defence, on the new political parties, and on political patronage gen-erally - will do nothing for business confidence, invest-ment and job creation

Seven civilians killed in Kashmir | Aoun seeks to halt ships

SEVEN civilians were killed and 15 injured yesterday in street battles in the northern city of Srinagar, Kashmir, between Indian security forces and Moslem militants, police and hospital sources said, Reu-

nesses said five civilians were shot dead on one street when police opened fire. Police said another two civilians died in crossfire.

tal of India's Jammu and Kashand hospital sources said, kenter reports from Srinigar.

Militants threw grenades in a bold mid-day attack, injuring two paramilitary police in sandbagged bunkers in the city's Lal Chowk market.

Hospital sources and wit-

the grenade attack in the Lal Chowk market. The Moslem revolt has heightened tension between India and Pakistan, which fought two of their three wars

Pakistan controls one-third of the strategic territory and Delhi has told Islamabad to halt the infiltration of militants into Indian territory. Islamabad denies arming and

By Lara Marlowe in Beirut

GEN Michel Aoun yesterday issued a communique forbidding "local and international maritime agencies" from serv-ing any port in Lebanon's Christian enclave, intensifying the "war of the ports" between Christian leaders in Beirut.

The Phalangist militia responded by firing rockets from speedboats off the coast of East Belrut at Gen Aoun's

Gen Aoun's artillery then shelled the 28 mile coastline of the Christian enclave, including the militia's ports at Joun-ieh, Amsheet and Byblos, A barrage of explosions was heard throughout the after-noon. At least 20 people were reported killed and 41 hurt. The militia has blockaded Gen Aoun's makeshift port at Dbaye, between Jounish and Beirut, since April 23.

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King of Nepal still sitting on top of a political volcano

K.K. Sharma, recently in Kathmandu

THE King of Nepal is sitting on top of a political volcano in spite of the restoration of democracy, says Mr Rishikesh Shah, a former Foreign Minis-

ter of Nepal.

As one of the leaders of the as one of the sealers of the successful opposition move-ment to force the King to accept limitations on his power Mr Shah's point of view may come as some surprise. But back in Kathmandu after years of exile in India and still facing charges which carry the death sentence Mr Shah maintains that the battle between left and

King Birendra, the queen and those who have the sover eign's ear, a coterie known as "the palace", are involved in the new phase of the tusale between democrats (who form

that followed the acce power by the coalition led by Mr Krishna Prasad Bhattarai of the Nepali Congress was part of the continuing ing-of-war that is expected to continue until a new constitution for the country is ham-mered out in the next four to

The King has accepted that he will become a constitutional monarch. But this may barely diminish the absolute position he held before he was forced to withdraw the ban on parties,

or turn him into a mere figure-

head.

The interim government and the king are unhappy with both extremes. The next few months will see hard bargaining between them on how much gower the monanth still venerated as a living god by the people, will have formed soon to formulate a

constitution within 90 days. The King's own position is difficult to determine because horse continuing inaccessibility, dishough Mr Bhattarai maists he has been seemed by the sovereign that he will be guided by the advice of the council of the ministers. If he the King does not follow their dvice, Nepali Congress and the wing members of the coalition say his throne will be in

pressure by members of the extreme right to insist on ca-tain discretionary powers that will presect members of the cotars that has ruled Nepal for

the last 30 years.

A powerful group of more than 150 members of the dissolved national assembly have formed their own political party which claims its main se is to guard against vicce from extreme commu-

However, the party is much more likely to guard vested interests developed in the three decades of a partyless system and seek to win the approval and backing of the King. If this happens, uncer-tainty and instability could lead to snarchy in Nepal.

The curious position is that everyone in Nepal, with the exception of small militant group of communists wedded to violent struggle, wants the

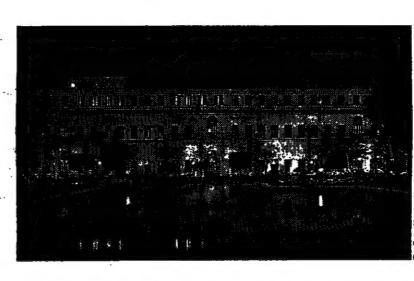
to violent struggle, wants the king to remain.

"In this country of diverse people, we need the king as a symbol and protector of our unity." Without him, we could be torn apart," said Mr Man Mohan Adhikari, a theorist balancing to the left wing groups in the government.
This view is shared by the

ing and ageing Mr Ganesh Man Singh and others as well as by fought for 30 years against "rule by peremptory com-mend" by the king. Unless he makes a rash move, the king will surely survive.

But this cannot be ruled out. Already people are restive because of a widespread feeling at the government is dither ing on various lesues.
These include inquiries into

ruption by the "palace" coterie the failure to come up with a and the slow movement to set the the differences with India over trade and related issues that have caused considerable



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WHAT'S IN STORE FOR RETAILING IN THE 1990's

The Centre for Business Research at Manchester Business School and Cambridge Econometrics are holding three one-day regional conferences on prospects and strategies for the retail sector to the year 2000, in:

London (19 June) Manchester (22 June) Glasgow (6 July).

The conferences will draw on the findings of a collaborative study by the CBR and CE which will be published in a report, entitled "The UK Retail Sector -Prospects and Strategies to the Year 2000", in June.

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m Strategic projections for the forecast period

A major feature of the conferences will be key note speeches by leading retail figures and sector analysts.

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For details, please contact Lynda Edwards at Cambridge Econometrics,

OVERSEAS NEWS

Roh Tae Woo elected to two year term as party president

S Korean students fight running battles in Seoul

THOUSANDS of students fought running battles with rlot police in the centre of Seoul yesterday in the worst protests seen in the capital in

Violent clashes were also reported in several other cities as an estimated 45,000 students nationwide protested against the ruling Democratic Liberal Party which held its inaugural convention earlier in the day, In Seoul, students attacked

office buildings and threw rocks and fire-bombs at the police who responded with voileys of teargas fired from armoured vans. Fire-bombs were thrown at the US cultural centre, and near the city hall and a number of the capital's tourist hotels police were tem-porarily outnumbered by the

Two police vehicles were set on fire outside the Lotte hotel. The students shouted for the dissolution of the DLP, which they described as dictatorial and undemocratic, and the res-ignation of President Roh Tae

The DLP was formed at the end of January through the merger of two opposition parties and the former Democratic Justice Party. The merger ended the unprecedented situa-tion of an opposition controlled National Assembly and gave the new ruling party a two-thirds parliamentary majority.

But a series of social and economic concerns and the emergence of divisions between the constituent parties of the DLP have prompted a fall in its support. According to a poll conducted by one of South Korea's daily newspa-pers, the government's popu-larity has fallen to its lowest levels since President Roh took office in 1988. Earlier in the day, President Roh was unanimously elected to a two year term as President of the DLP. He then named Mr Kim Young Sam, head of the former opposition Reunification Democratic Party as party chairman, the number two position.

In his speech yesterday, President Roh expressed regret for the disappointment and concern which the DLP had created through internal divisions. "The process to democracy for the past three years demanded a costly sacrifice and the pain continues," he said. "But we will realize stability through consistent reforms and will achieve develstatement on national televi-sion in which he promised that pressing social and economic problems, including rising inflation, real estate specula-

The DLP also indicated that it will push for a revision of the constitution to create a his five year term in February 1993. The party platform stated that "the DLP will embody a parliamentary democracy in which the parliament and the cabinet will be jointly responsi-ble to the people. " ble to the people."

Opposition parties voiced strong criticism of the merger. The Party for Peace and

The Party for Peace and Democracy, the largest opposition group, described the new party as "anti-democratic, non-national, unethical and non-historic" and said it merely reflected the desire for power on the part of the leaders of the constituent parties.

The fledgling Democratic The fledgling Democratic Party, created by members of the former RDP, described the DLP as "an illegal political group which should be dis-solved immediately."



Bush braces for challenge to his China policy

Lionel Barber on details of the Washington debate

IVE MONTHS after he despatched a secret high-level mission to Peking President George Bush is still waiting for a political

Peking's failure to respond is a disappointment for Mr Bush who believes — with a passion — that he knows best how to deal with China.

It also weakens his hand with Congress as he braces for the next major challenge to his China policy: the annual deci-ation on whether to renew China's Most Favoured Nation (MFN) trade status, which pro-vides the most advantageous tariffs to a trading partner's

Last year, US-China trade reached \$18bn. The bulk (\$13bn) flowed into the US, making it China's single hig-gest export market, surpassing petitiveness of Chinese clothes, toys, watches and other congoods would fall dra-

Withdrawal of MFN would British embassy in Washington has begun lobbying Congress, warning that removal of MFN could strip Hong Kong, the

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main entrepot for US-China trade, of several billion dollars are dollars worth of business.

MFN, however, is also a political tool. Since 1974, any "non-market" (i.e. Communist) country which restricts emigration is ineligible under the Jackson-Vanik amendment, unless the President certifies that MFN would promote free that MFN would promote free emigration. The law was originally intended to put pressure on the Soviet Union but Congress has come to see it as a vehicle for expressing criticism of human rights records. This year, MFN offers Congress the first chance to challenge Mr Bush since he vetoed Congressional legislation protecting Chinese students in the US. The deadline for Mr Bush's decision on MFN is June 3, the

decision on MFN is June 3, the eve of the first anniversary of the Chinese army's massacre of pro-democracy demonstra-tors in Peking's Tienanmen

Bank development projects, currently running into hun-dreds of millions of dollars, which are being held up under Mr. Bush's own post-Tienanm sanctions?

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> TAYLOR WOODROW 2000

Skill and technology pulling together worldwide.

Symbolism matters. Tienson-men and the subsequent tele-vised pictures of General Brent Scowcroft, Mr Bush's national security adviser, toasting the Chinese leadership during his second secret mission to Peking last December, evoked a raw emotion among the American public, according to

But will the upcoming debate, in Congressional hear-ings, television and the press, address more substantive ques-tions raised by US-Chinese business ties? Is the presence of US investment a long-term force for democratic enlightenment in China, as the New York Times argued in a recent editorial? Or do US-China busi-ness links legitimise the rule of the Communists and their

crackdown, as some of Mr Bush's critics contend? And what about the World

men sanctions?
On private investment,
many US observers find it
tricky to give an answer. Chinese students in the US — a
potent force if they choose to
act in concert, as they did in
demanding visa protection last
year — appear divided on
MFN.

Even Mr Bush's most promi-

next critics, such as Mr Win-ston Lord, former US Ambassa-der to Peking in 1985-69, are wary of deploying the MFN weapon. Mr Lord, who broke with the President of the disclarsure of the two Scowcroft mis-sions, said he is appalled by symbolism" and gestures." But on MPN, he

US business, which has around \$4bn of direct investent in China, with just over 900 specific ventures, has to date been reluctant to speak out. Corporate glants, such as Boeing, General Electric, Gen-eral Motors, McDonnell Douglas, Motorola and Rockwell, have left the lobbying to the US-China Business Council in

count in government circle Last July, Mr Bush granted a waiver to Boeing so it could proceed with a \$150m sale of airliners; last December, the President waived a Congression nal ban on exporting telecom-munication satellites for

These deals have the advantage of helping to correct the growing trade imbalance between the US and China which had already reached \$1.5bn in the first two months in size only by those with West Germany, Japan and Talwan. Those most hostile to the Chinese leadership argue that wiped out overnight if MFN were withdrawn and Chinese goods faced the resulting 60 per cent trade tariffs. But If Peking reciprocates, then Chinese tariffs would be higher for US-made components going

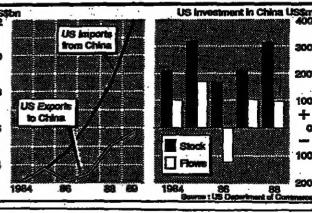
into joint ventures. The British are less reticent In concert with the Hong Kong government, they have begun to press for continuing MFN status for China. Accord-ing to Mr Peter Lo, Hong Kong government minister for trade md economic affairs in Washington, some \$5-8bn of Chinese goods passed through Hong Kong last year. Much of Hong Kong and US

investment is concentrated in southern China, where 10,000 businesses employing more than one million people, are dependent on exports.

These people would find it virtually impossible to scale the high tariff walls if MFN is revoked," said Mr Lo. Washington experts believe that the Chinese will make some gesture before June aimed at influencing the MFN decision but not in MFN

decision but not in a way which appears to be the result of US pressure.

One sign was the recent lifeattaches to foreign invest ment," says one form ealt with China. "but it will be looked at from the point of



Australian rail reform could cost 38,000 jobs

By Kevin Brown in Sydney

UP TO 38,000 employees could lose their jobs under proposels

presented yesterday for the reform of Australia's heavily subsidised railway system.

The proposals of the quasi-governmental Railway Industry Council are part of a programme of structural reforms being considered by the Labor Councils the moderation the nment to modernise the Australian economy.

The council's report - Rail Into the 21st Century - says a commercially viable national rail network is achievable, but warns that it will have to be substantially smaller than the existing system. Australia currently has

seven separate publicly owned rail authorities - six run by the states and one by the federal government - operating just over 37,000km of track, of which 18,600km carry passen-ger services. All but the federal Australian National Railways are heavily subsidised.

The council's report says the seven systems lost A\$1.8bn (2810m) in 1986/87, and would still be losing money heavily by 2001 unless radical changes "All loss-making freight and

passenger services will need to be critically re-examined," said Mr Gevin Keneally, chairman

of the council.

The report puts forward a series of options under which between 30,000 and 38,000 of the 54,000 railway jobs would be less over the part decade. be lost over the next decade.
It says some "community

retained, such as loss-making rural services, but calls for costs to be clearly identified. The report is likely to meet resistance from state governments and railway trade unions, even though the coun-cil includes representatives of

Mr Joe Sibberas, vice-president of the Australian Rail-ways Union, said the railways needed more investr more staff rather than less

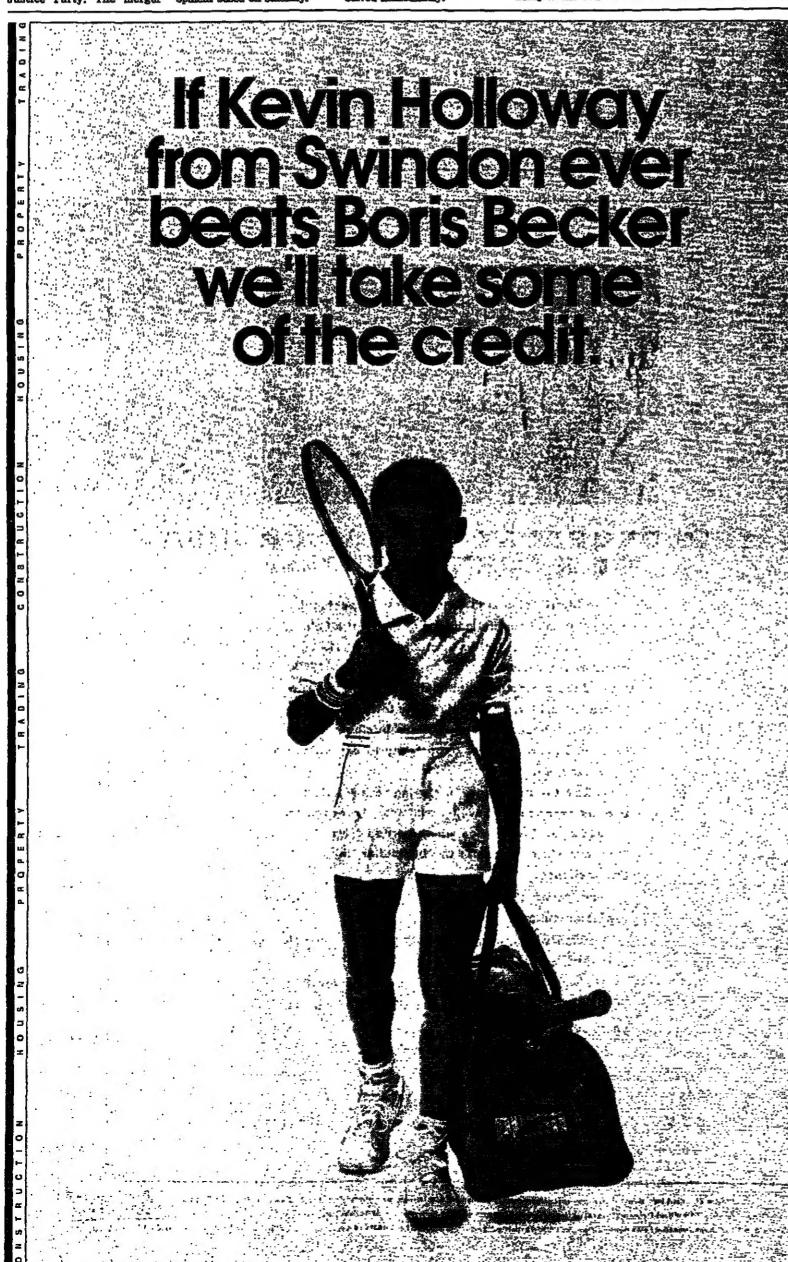
Many of Australia's long distance railway services have been significantly improved in the last decade, and the country boasts several world-class trains, including the Indian Pacific from the east to west

coasts, and the Ghan, from Adeiaids to Alice Springs. A feasibility study is also under way into plans for a privately financed and operated very fast train, which could eventually run at 350kph between Melbourne, Canberra,

Sydney and Brisban However, some long distance services are very slow, partly because of lack of co-operation between the various railway authorities. Many local com-muter services are also poor, with ageing rolling stock

A collision between an

intercity passenger train and a steam-powered excursion train which killed six people and injured 100 on Sunday was probably caused by a signal-ling fault, Mr Bruce Baird, New South Wales Transport



challeng icv

rail refor

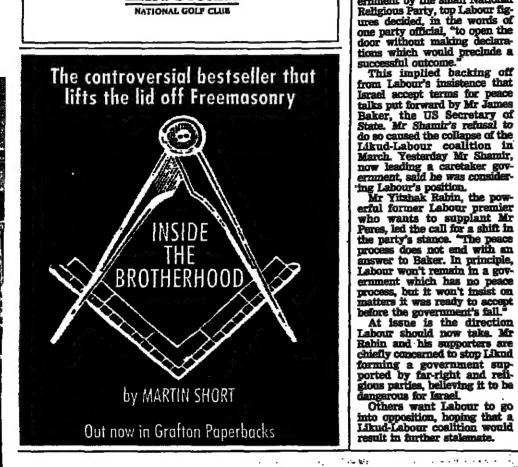
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OVERSEAS NEWS

Botswana prosperity brings growing pains

The country's wealth has left it with a dilemma over development, writes Mike Hall

FLOCK of white-robed women will mob any traveller who stops at a certain place south of Francistown. At least 10 of them – screaming "me firsti" – will surround a vehicle and try to stuff bundles of cash through the windows into the hands and pockets of passengers.

Labour

and Likud

may enter

pact talks

THE LEADERS of Israel's

THE LEADERS of Israel's Labour party said yesterday they were ready to discuss reviving a national coalition with the Likud party of Mr Yitzhak Shamir. Some openly proposed softening the party's commitment to US terms for

Israeli-Palestinian peace talks

in order to do so.

But the move to pre-empt
the formation of a Likud-led
narrow right-wing coalition
immediately exposed deep divisions within Labour that have

opened up since Mr Shimon Peres, the party leader, falled last month to form an adminis-

tration committed to peace

Responding to proposals for a renewed Likud-Labour Gov-ernment by the small National

tions which would preclude a

the party's stance. The peace process does not end with an

answer to Baker. In principle

Labour won't remain in a gov-ernment which has no peace process, but it won't insist on

process, but it won't insist on matters it was ready to accept before the government's fall."

At issue is the direction Labour should now take. Mr

in order to do so.

By Hugh Carnegy in

and pockets of passengers.

The women live by illicit trading and dealing in foreign currency, selling Botswana pula to visiting Zimhabweans and buying it back from tour-

ists.
The method may be desperate, but their earnings clearly cover the risk of the odd driver taking off with a windfall.

Demand for pula is strong.

And whereas almost every other African country has a thriving unofficial market for US dollars and other hard currencies, in Botswana there is

In fact, last year the pula appreciated by 3.4 per cent against the US dollar and by 15.5 per cent against sterling.

The reasons lie in this centhers African accounts. southern African country's southern Arrican country's vast foreign reserves, accumulated from almost 20 years of exporting gem diamonds; a booming economy; and the proximity of South Africa, the main producer of the region's

consumer goods.
Growth in production between 1980-87 was the world's highest at 18 per cent a



year, according to the World Bank. The opening in 1982 of the rich Jwaneng diamond mine helped boost reserves from \$125m in 1980, to \$2.5m

last year — equivalent to 29 months' imports.

Many observers believe the economy will continue to expand rapidly. But swift growth has brought problems for this semi-arid, cattle-herding nation. Less than a quarter of its 1.8m people are in the modern economy, which can-not absorb excess cash. Prop-erty prices and rentals have spiralled and negative real nterest rates are encouraging borrowing for consumption. Government efforts to help expand the economy - by putEye for detail: gems boosted reserves to \$2.6hn in 1989

ting up schools and factory shells, building roads and water transfer schemes – have fuelled a construction boom. The Government is trying to taper off the rate of increase in manufacturing, services, and especially tourism will con-The Government is trying to taper off the rate of increase in spending, which is rising faster than that of revenue. This is despite a record budget surplus of Presm (\$385m) last year.

It is also worried about the ever increasing reliance on diamonds, which now account for 63 per cent of revenue. Mr Fes.

63 per cent of revenue. Mr Fes-tus Mogae, the new Finance Minister, warned in his recent budget speech that 20 per cent of recurrent spending was now coming from mineral earnings. But many believe President Masire's ruling Botswana Dem-ocratic Party (BDP) is too cau-

tious. They argue foreign reserves should cushion dia-mond market fluctuations, and other mineral developments,

All acknowledge the need to put non-replenishable mineral wealth into renewable production. Diamond mining has provided few jobs but raised

issue in the general election at the end of last year. Although the main opposition party, the left-wing Botswana National-Front (BNF), lost two of its five seats in the 38-member assem-bly to the BND, it increased its share of the vote by 7 per cent.

It also improved its already solid majority in the capital Gaborone and made significant

gains in urban councils. Although three quarters of the population of Botswana live in rural areas – and many exist there only by heavy sub-sidies – agriculture has little growth potential, mainly because of the harsh climate.

Manufacturing is seen as probably the biggest job provider, and the Government seems committed to creating a better climate for investment. Botswana needs to absorb 30,000 school leavers a year. Job creation is now running at

a third of that.
The textile industry is one of the more recent growth area and efforts are underway to attract firms from Hong Kong. But some analysts believe the Government is still overly cau-

The recent budget, for instance, slapped a 10 per cent sales tax on almost everything. And a "one-stop shop" for investors, although six years old, is still not effective due to staff shortages.

Some observers believe that, deep down, many officials are suspicious of foreign investors.

For the majority of Potswana. The recent budget, for

For the majority of Botswans, entrepreneurship is still lim-ited to dealing in cattle. The women dealers near Francistown are, of course, a notable

ANC and De Klerk seek support | Islamic prisoners set

ing Labour's position.

Mr Yitzhak Rabin, the powerful former Labour premier who wants to supplant Mr Peres, led the call for a shift in AFRICAN National Congress leader Mr Nelson Mandela left on Wednesday for a six-nation African tour to discuss last week's watershed talks between his organisation and the South African Government, Reuter reports from

ment, Reuter reports from
Johannesburg.
An ANC statement said Mr
Mandela and an ANC delegation would visit Zambia,
Angola, Nigeria, Algeria, Egypt
and Libya.
Mr Mandela's departure coincides with South African President Mr F. W. de Klerk's
arrival in France at the start of
a trin in prime European states.

Rahin and his supporters are chiefly concarned to stop Likud chiefly concerned to stop Likud forming a government sup-ported by far-right and reli-gious parties, believing it to be dangarous for Israel.

Others want Labour to go into opposition, hoping that a Likud-Labour coalition would result in further stalemate. a trip to nine European states, explaining his programme of political reform aimed at sharing power between the repub-lic's blacks and whites. and the ANC held their first.

formal talks last week and agreed on some of the steps they need to take before constitutional negotiations can begin on how to dismantle the apart-held system and introduce

heid system and introduce power sharing. While Mr de Klerk hopes his willingness to negotiate will lead to an easing of South Africa's international isolation, Mandela wants foreign sympathisers to keep up pressure for change.

ANC officials said that during his 12-day trip Mr Mandela would brief some of the thousands of ANC exiles, especially the guerrillas of the military wing Umkhouto we Sizwe (Spear of the Nation), waiting in camps for news of when in camps for news of when in the tour, the 71-year-old
ANC deputy president is also
responding to invitations from

sympathetic governments. This will be a continuation of the policy followed on his release from prison when he called on the supportive governments of Zambia, Tanzania, Ethiopia and Sweden. Mr Mandela was released in February after 27

years in prison. In Cape Town, the ANC and the Government agreed a five-point plan to tackle major dif-ferences and work towards point plan to eachie major di-ferences and work towards peaceful change. They said a joint working group would dis-cuss proposals for the release of up to 3,000 people regarded by the ANC as political prison-

sation would look hard at its 30-year-old policy of using guerrilla warfare as a tactic to achieve full political rights for the black majority.

free in Morocco

HUNDREDS of Islamic fundamentalists arrested after fundamentalists arrested after staging their biggest ever demonstration in Rabat seem to have been released as Morocco moved to counter charges of human rights abuses, lawyers said yestenday, Reuter reports from Rabat.

King Hassan announced the human rights moves six hours after eyewitnesses estimated 2,000 protesters were beaten up near Rabat's main square on Tuesday by men in civilian

Tuesday by men in civilian

clothes armed with clubs and uniformed paramilitary police. "I cannot know everything. I cannot know exactly what goes on in prisons," King Hassan said as he announced the setting up of a 37-member

consultative committee on We are exasperated ... by all these reports that tend to make believe there are people in prison in Morocco for politi-

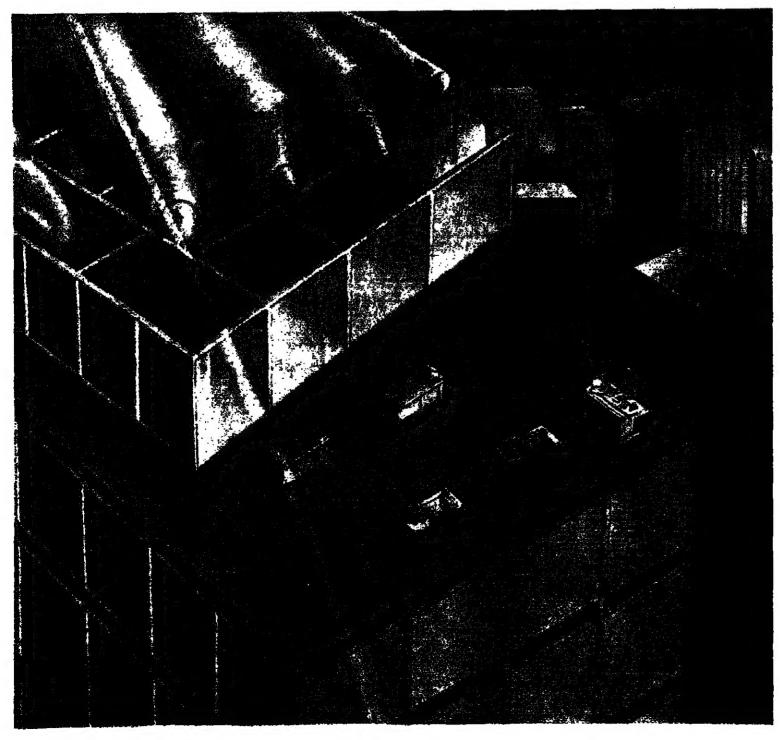
Morocco's so-called political prisoners were in fact subversives, he said.

Eyewitnesses said the demonstrators were beaten as they were harded into the courtyard of the Court and American Services.

of the Court of Appeal when they refused to move from the main square. The demonstrators said they

supported six fundamentalist leaders of the outlawed fundamentalist Adl wa Libsane movement whose appeal was being heard at the court house.

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may face

stiff EBRD

By Peter Riddell, US Editor

SIGNIFICANT limitations on

loan limits

in Washington

UK urges Nato to keep some US missiles | Moscow

BRITAIN is continuing to shells. A "third zero", which insist that some US ground-toground nuclear weapons should be retained by Nato after negotiations on short-range nuclear forces. UK officials made this clear at a meeting of Nato defence ministers here which began

preparing the way for negotiations early next year that other European countries see leading the way to removal of all ground-launched nuclear weap-

ons in Europe.

The ministers were expected to discuss the prospect of including nuclear artillery as well as missiles in the negotia-tions despite previous US reservations about the difficulty of verifying nuclear artillery

Budget talks

agreed in US

reduce the deficit and keep the economy on a sound track".

The event had been billed as

a crime victims' picnic, an open-air group therapy session to promote reform in Calif-ornia's criminal justice system.

Some 200 men, women and children, each wearing pink

fluorescent peak hats and white name-tags, were present. Many, like the allm woman in

a green summer dress, were eager to talk.

"My daughter was besten to death by her husband," she said. "He best her so bad that

his hands were swollen twice their normal size.

but they told us that if the jury failed to convict he would go scot-free. So we accepted a plea bargain. Now he's due out in

March 1992, and he doesn't

Her story helps to explain why more than 1m Califor-nians have signed Proposition

nians have signed Proposition 115, a citizens' initiative which calls for sweeping changes in the state's criminal justice sys-tem and the rights of defen-dants. The strong support reflects the rise in the level of violent crime in California, and

the public's perception that the present system ignores vic-tims' rights while allowing defence lawyers to spin out

proceedings.
The "Speedy Trial" initiative

have a parole

would be in addition to the two categories of ground-launched missiles being scrapped under the 1987 Intermediate Nuclear forces treaty, was successfully opposed by the US and Britain a year ago, but is now back under discussion.

If implemented it would involve more than half the estimated stockpile of 3,700 US nuclear warheads in Europe. Nato's non-strategic deter-rence would rely instead on weapons from aircraft - cur-rently bombs but in future taccontrast to the ground-launched weapons, these can reach Soviet territory. How-ever, West German officials

were anxious that Nato should not press at this stage for decisions on deploying new air-launched missiles, because of the ongoing "two plus four" negotiations on German unity and the West German elections later this year.

Nato has meanwhile dropped its insistence that talks on short-range nuclear forces should wait until agreed con-ventional force reductions start to be implemented.

The meeting follows last week's US decision to drop plans for a new missile to replace the Lance deployed in Europe, as well as new 155mm nuclear artillery shells. The planning staffs were

ment, which they had expected to be made at a later stage of The ministerial Nuclear Planning Group, which excludes France, held wide-

ranging discussions on changes in the European secu-rity outlook and reviewed the results of a series of studies it ordered six months ago on the future role of nuclear weapons. UK officials said that the redefinition of nuclear strategy, which is due to continue over the coming months, should not alter Nato's policy

of reserving the possibility of a first nuclear strike. Officials said that this part of the alliance's strategy was "sacrosanct".

Challenge mounted to cellular phones

THE White House and Congressional leaders of both parties will start formal talks MILLICOM, a small New York next Tuesday to negotiate a multi-year budget deficit reduction package, Peter Riddell writes from Washington.

The two sides yesterday agreed on the format of talks to be completed "as quickly as possible", though without a deadline. Mr Marlin Fitzwater, the white House spokesman, noted varying estimates of the scale of measures required, ranging from \$45bn up to \$100bn.
He also said that it was clear to both sides that "severe action needs to be taken to reduce the default and hear the ordinary than the produce the default and hear the

"ARE YOU the victim of a homicide too?" one woman asked, by way of introduction. is specifically aimed at redressing these delaying tactics. For example, it would eliminate preliminary hearings in certain

sis (the California Bell tele-

cellular services, have the potential of offering communications via smaller, lighter and cheaper hand sets than those currently used. "Existing callular services will evolve into something more like PCN," Mr.

one run by the local wireline

one run by the local wireline telephone company and the other by an independent. Increasingly the second licence has been taken over by a wireline company based in a different part of the country.

The system has led some regulators and consumers to accuse the duopolists of abusing their market power by overcharging customers, and

years will require an 85 per cent vote in favour.

Mr Mulford said yesterday this might not mean total freedom for the Soviet Union to borrow and suggested that a number of countries, including Japan, might be cautious about expansion. There is, he said, a chance of "significant limits on borrowing." Californians hit back at crime

borrowing."
The administration face The administration laces tough arguments to persuade Congress to authorise both US involvement in the EBRD and the 50 per cent increase in International Monetary Fund quotas agreed on Monday (even though the latter does not involve direct government spending).

not involve direct government spending).

In both cases Mr Mulford has pressed for tough conditions and the US has largely got what it wanted.

In the former it won a limit on Soviet involvement in the EBRD and the requirement that 60 per cent of loans be to the private sector or privatesing companies. In the latter it successfully linked a limited

commitment to, private acctor development or direct private investment. He said this was a serious weakness in these bod-

The administration will not seek legislative approval for the IMF quota increase until next year, but the Treasury is hopeful of winning support because of Congressional backing for the debt strategy of Mr. Nicholas Brady, the Treasury Secretary, and the wide interest in helping change in Eastern Europe, where the IMF is playing an active part.

The Treasury will also stress its success in winning approval for a tough screas package in persuading Congress that a quota increase will not be wasted.

wrong-footed by the announce-

By Roderick Oram in New York

company, has been granted licences to run experimental Personal Communications Networks, a form of cheaper mobile telephones, in two US

Approval of Millicom's request by the Federal Communications Commission is the first step in developing a new technology to challenge the existing cellular licensing duopoly operating in the US. "This is the source of a new form of communications in the form of communications in the next century," said Mr Shelby Bryan, Millicom's chairman. A PCN system is already being developed in the UK by a consortium including Millicom, British Asrospace, Pacific Tele-

important cases where an indictment by a grand jury has

Require the defence to review evidence it intends to

tase in court

Require judges, rather than
the prosecution and defence, to
question potential jurors, a
reform which should accelerate
proceedings and bring California in line with Federal prac-

tices.

• Expand the number of first

be sentenced to life without parole.

Proposition 115 will be on the June 5 election ballot in California; if passed by a majority of voters it will antomatically become law. Just like Proposition 13, which capped state property taxes 12 years ago, Proposition 115 amounts to an assault on liberal values and the legacy of former Governor Jerry Brown and the State Supreme Court led by Chief Justice Rose Bird (voted out of office in 1985).

chief Justice Rose Bird (voted out of office in 1985).

Then, as now, the proposition overshadows this year's state-wide elections, particularly the Democratic gubernatorial primary, also on June 5, between Mrs Dianne Feinstein, former Mrs Dianne Feinstein,

former Mayor of San Fran-cisco, and Mr John Van de

degree murder crimes.

• Allow 16 and 17-year-olds to: Feinstein: Urges a tough line

It would also:

use in court

sis (the Camornia Bell tele-phone company), and Matra (the French aerospace and industrial group).

Mr Bryan Said Millicom would probably involve US and

foreign partners in its test PCNs in Orlando, Florida, and PCNS in Original, Florida, and Houston, Texas.

PCNs, which use a different segment of the radio spectrum for their signals than existing

Analysis believe, though, that PCNs face considerable

eral, the state Attitude years opposes the death penalty — looks vulnerable on crime. Mrs Feinstein has already

attacked him for failing to prosecute the Hillside Stran-gler, a notorious local case. Mr Van de Kamp has sought to shift the debate, arguing that Proposition 115 interferes with

political, technological and financial hurdles in the face of the entrenched competition from existing cellular services. Each US city is at presen served by two cellular licences

overcharging customers and hindering development of mobile communications tech-nology. The cellular industry vehemently rejects this.

Lionel Barber witnesses a citizens' assault on the judicial system qualify for the June ballot. Senator Wilson appeared at the weekend barbecue in front of Pasadena's Rose Bowl Stadium. He was more than happy to have his picture taken with some of California's hardest sufficient colors.

suffering crime victims.

Many were white, middle-Many were white, middle-class citizens, such as Shirley, and Rodger DeVaul, whose 20-year-old son was murdered by a serial killer. Others came from throughout southern Cal-ifornia — Bakerafield, Garden Grove, Long Beach, Orange County, Riverside and San Ber-nedino — each ready to relate nadino — each ready to relate crimes which for most people would remain unspeakable. The leader of MOVE (Mem-

Mrs College Thompson Camp-bell, 57, an artist whose son was strangled and thrown out of a private seruplane over the Pacific after attempting to use a drug deal to refinance his computer business. Mrs Campbell spent several years trying to get both killers in court durto get both killers in court during which time her brother, a nationally known racing, driver, and his wife, were murdered, assassination-style, in Bradbury. Los Angeles County. The murder remains unsolved. Mrs Campbell appeared resilient as she unged her group to raise their hands skywards to pray for their lost ones. "One month to freedom." she shouted, with one eye on June 5. "We love you Collene," the crowd cheered back.

IMF relieved at quotas deal

THERE was noticeable relief in the elegant Washington head-quarters of the International Monetary Fund this week.

After a three-year struggle to obtain an increase in its resources, the agreement that the IMF quotas, or membership fees, should be increased by 50 per cent meant the Fund could get back to its normal business of helping countries pursue

Soviet borrowing from the pro-posed European Bank for Reconstruction and Develop-ment may continue after the initial three years of tight restrictions, Mr David Mul-tered the Transport made and the pro-Sound economic policies.

But the hagging that accompanied the quota agreement left a nasty taste in the mouths of many officials, while the deedline of March 1993 for some restrictions, Mr David Mul-ford, the Treasury under-serv-tary for international affairs, indicated yesterday. US participation in EBRD was yesterday generally sup-ported by members of the House Banking subcommittee on international development, finance, trade and monetary nolicy, though concern was deadline of March 1993 for com-pletion of the next quota review means that the issues of IMF resources and the atti-tude of the US, its largest shareholder, will not go away. The way in which Britain and France resolved their dispute over their rankings in the Fund dismayed several mone-tary officials from other indus-

finance, trade and monetary policy, though concern was expressed about the scale of Soviet involvement.

After considerable US pressure, Soviet borrowing for the first three years has been limited to its paid-in capital (a maximum of \$212m) and restricted to loss to the private sector and competitive enterprises. trialised countries.

The IMF is a body based on strict rules that must be adhered to at all costs. And yet Any change in the Soviet borrowing status after three years will require an 85 per

two of its most senior members determined their membership subscriptions and voting rights on the basis of a horse trade that should lead to London becoming the home of the planning forms on the planning the home of the planning forms on the planning forms on the planning forms of the planning forms on the planning forms on the planning forms of the planned European Bank for Reconstruction and Develop-

ment on the understanding that the presidency of the bank will go to Mr Jacques Attali, President Mitterrand's eco-

Peter Norman reflects on a bitter-sweet aftermath to some Anglo-French haggling

nomic adviser. Moreover, the device by which they settled the dispute – an agreement by which Britain will loan part of its quota to France to give both countries joint fourth position in the Fund — was an entirely

ad hoc measure and is nowhere to be found in the statutes.
Finally, although this point is disputed by Mr. Pierre Bérégovoy, the French Finance Minister, the effective increase in France's quota to around 5.5 per cent from 5 per cent files in the face of IMF policy to relate quotas more closely to economic performance.

nomic performance.
While there was no denying that France's economy has overtaken Britain's in size since the rankings in the Fund were fixed after the Second World War, it is open to doubt whether its share should have been increased so sharply in the face of claims from other rapidly growing nations such

rapidly growing nations such as South Korea that their economic weight is grossly underrepresented in the IMF.

The settlement of the rankings issue called into question the IMF's prestige and status that was already looking tarnished because of the atti-

fund. The US is the IMF's big-gest shareholder and has a blocking minority. But US budgetary problems mean that the days of largesse towards the

Fund are over.
The way that the US crafted the plan to settle the arrears and its determination to link the issue to the quota increase saw the US Treasury extract

the maximum advantage at the minimum cost to itself. The linkage means that the quota increase could take an unusually long time to become effective. It involves an amend-ment to the Fund articles that needs the support of 85 per cent of the membership and parliamentary ratification in

some countries. Yet this victory for US diplomacy will cost Washington very little because it has made only a small contribution to the Enhanced Structural Adjustment Facility which will be used to finance assistance for countries "working out"

their arrears. In private conversations, European monetary officials lamented how the US assumes superpower status in the IMF without paying for it. But short of the Soviet

Union applying to join the IMF

— an event which is increasingly considered a possibility

— it is difficult to imagine anything that will change this state of affairs.

US vetoes increase for investment fund

By Peter Norman

THE US is hindering progress on increasing the resources of the International Finance Corporation, the World Bank affiliate that promotes private sector investment in developing countries, and may delay World Bank plans to create a special environmental fund.

In a meeting with journalists here, Mr Jürgen Warnke, the West German development aid minister, disclosed that the US said it is unable at this stage to contribute to a capital increase at the IFC.

at the IFC.

ithe private sector or privatising companies. In the latter it successfully linked a limited quota increase to binding action to reduce arrears to the IMF.

Mr. Mulford yesterday expressed some impatisnee that development banks such the development banks such the Asian Development. Bank and the Asian Development gen cent annual rate in recent years under the leadership of interest and expertise in commitment to, private sector.

British Treasury officials

The IPC doubled its profits
in each of the last spice years
and in 1989 mobilised at anda-half times the volume of its
own investments.

My Wombo and that the US wn investments. Mr Warnke said that the US

decision, which appears to preflect budgetary constraints, could mean that the IFC will be unable to maintain its recent rapid growth, although he hoped for a change of mind by the time the IMF and World Bank hold their annual meet-ings in Washington in Septem-ber. Under the constitution of the IFC all member countries must subscribe to capital increases which must be fully

paid.
The US Government also used to contribute to a proposed new \$1.2hn World Bank fund to help deal with cross border problems such as defor-estation and climate change. The fund would be a pilot project, providing about \$400m annually over three years. According to Mr Warnke, the World Bank has calculated that such problems could

that such problems could require annual financing of between \$20bn and \$25bn.

France has already offered to pay FF190km (£96.7m) into the fund while West Germany supports the idea. However, other countries including Britain have said that more work

Other countries including Britain say more work

sion is taken on whither to establish the fund. A Canadamin-que issued after the meeting of the development committee of the World Bank and Ibutana witness to such reserving in A sentence urging the bank to "reinforce and expand its existing environmental programmes" was hastily amended with the words "and expand" being deleted from the final version.

However, the fund may still be established. Mr Warnke said that the industrialised countries needed to have such a project in hand in time for a large United Nations conference on the environment that

ence on the environment that will be held in Brasilia in 1992. He said that the fund could be established without US partici-

Debt relief plans may be widened

By Stephen Fidler, Euromarkets Correspondent

PROPOSALS to widen the principle of debt relief for some developing countries are des-tined for the agenda of the July world economic summit in

The proposals are likely to address the problems of so-called lower middle-income countries — such as Nigeria, the Ivory Coast and Gabon. These countries — whose debt is owed primarily to govern-ments rather than banks — fall

through the cracks of the pres-ent debt strategy. They are not helped much by the Brady plan which is designed to lower the bank debt of middle-income counneeds to be done

tries. Neither are they poor enough to benefit from the so-called Toronto terms, agreed at the 1988 Toronto summit sion is taken on white the tries which alleviate modestly the official debt burdens of low-in-

come countries. According to Western offins. A stion at the just completed ank to spring meetings of the IMF and world Bank of the problems world Bank of the problems. faced by the lower middle-

income countries.

There also appeared to be a consensus in favour of further widening the Toronto terms to poor countries outside Africa.
Already, a deal has been agreed on this basis for Bolivia by the Paris Chib of Western

governments.

Mr Barber Conable, president of the World Bank, told a news conference "it was entirely possible" that the debt issue would be discussed in

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state privacy laws and therefore offers a loophole to enact restrictions on abortion.

"That's completely bogus," retorted US Senator Pete Wilson, the Republican candidate for governor, who put his fund-raising muscle behind Proposition 115. The extra money for advertising and cannot be senated to the control of the con money for advertising and can-vassing ensured that, after two previous failures, it gained the 600,000 signatures needed to New debit card is dropped after anti-trust dispute By David Barchard

lead the way towards the development of a national debit card system for the US, enabling banks to set up their own electronic funds transfer MASTERCARD and Visa, the two main credit cards in North America, yesterday formally abandoned plans to launch a joint debit card called Entree by reaching an out-of-court settlement with the

Attorneys General of 14 American states. American states.

The deal halts a year-old lawsuit against Visa and Mastercard by the Attorneys General who alleged that Entree violated anti-trust laws and constituted a conspiracy to monopolise the US debit card

Entree, which deducts funds from the cardholder's bank account rather than a separate revolving credit account, had originally been intended to

at point of sale. Entree was designed to over-

Entree was designed to over-come technical problems for card issuers and retailers aris-ing from the the large numbers of retail banks in the US and the restriction on banks operating outside their own state.

Because of the controversy surrounding it, Entree had been more or less morbund since its launch, with many retailers refusing to accept it. It swiftly attracted unfavourable attention from officials in several states.

TV auction is planned for savings and loans properties By Peter Riddell

ABOUT \$300m of properties of defunct savings and loans will be sold by a televised auction This follows a decision by

the Resolution Trust Corpora-tion (RTC), the main federal agency handling the rescue, to accelerate disposals by reducing prices if necessary.

Last year's rescue legislation prevents the agency from disposing of property for less than 95 per cent of the market

The latest decision in effect assumes that the market value is whatever price attracts buy-ers, rather than the price set by independent appraisers. Under the new policy the RTC can cut a property's price

by 15 per cent after six months from the sales price set by the appraiser. If the property still does not sell after three more months, the price can be cut another 5 per cent.

Mr William Seidman, the retiring head of RTC, said that the agency had "become convinced that holding on to the property is too expensive for the taxpayer". The RTC has amassed around \$18bm in property from failed savings and loans, of which \$2bm to \$3bm have so far been sold. have so far been sold.

Its portfolio includes undev-eloped desert land in Arizona as well as many empty and half-built office and residential projects, especially in Texas and the south-west.

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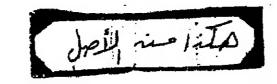
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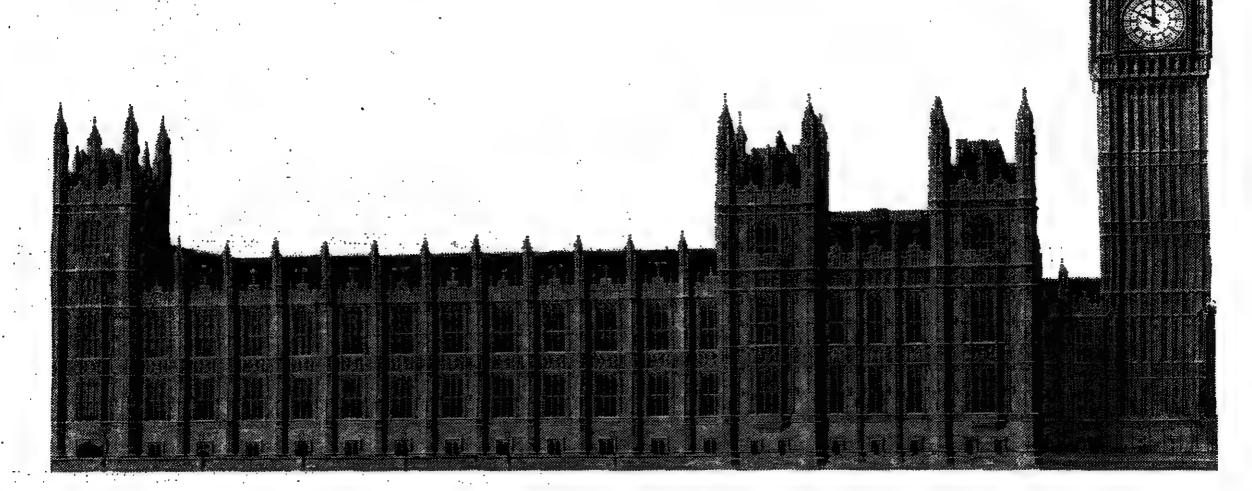
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UK NEWS

Hostages in Lebanon face 'long process' for initiatives on release

Government rejects Reed's claims

By Ivor Owen, Parliamentary Correspondent

MR WILLIAM Waldegrave, the Foreign Office Minister of State, yesterday rejected the view of Mr Frank Reed, the American hostage recently freed by a group of pro-Iranian kidnappers in Lebanon, that Britain had not been sufficiently active in seeking the release of its nationals. He warned MPs in the House

of Commons that there could be "a long process" when he was pressed about fresh initia-tives to secure the release of British hostages held in the Lebanon.

While expressing sympathy for Mr Reed, who met relatives and supporters of the British insisted: "He was not in a posi-

tion to know anything about the efforts we have made on behalf of British hostages." He was speaking after Mr Douglas Hurd, the Foreign and Commonwealth Secretary, stressed that Britain's policy on the hostages issue was on "all fours" with that of the US

Government.

The Foreign Secretary was not challenged when he contended that the whole House was in agreement that the Government should do everything it could to bring about the release of the hostages short of making concessions or striking bargains with the kidnappers. He emphasised: "That is because we want a safer world, and not a more dangerous

Mr Gerald Kaufman, foreign affairs spokesman of the opposition Labour Party, agreed that there should be no deals which either rewarded hostage-taking, or gave incentives to further hostage-taking. He said that when the Brit-

ish people saw hostages of other nationalities being released they had every right to expect the release of British nostages as well.
Mr Hurd gave an assurance that constant efforts were being made to secure the release of the hostages. He recalled that Iran broke

off diplomatic relations with the UK over the Salman Rushthe UK over the Salman Rush-die affair, but made it clear

Mr Hurd reminded the House that Britain broke off diplomatic relations with Syria over the issue of state-supported terrorism - an issue which remained unsolved.

ruled out.

that the possibility of direct talks with fran had not been

had had indirect contacts with Syria on behalf of the hostages. Sir David Steel, foreign affairs spokesman for the Lib-

He confirmed that Britain

eral Democrats, urged Mr Hurd to consider the reopening of diplomatic links with Libya as well as Syria in view of the recognition other governments have given to their role in sec-uring recent hostage releases.

Committee suspends Iraqi 'gun' inquiry

By Ralph Atkins

A HOUSE of Commons select committee yesterday suspended its investigation into the Iraqi "gun" affair until legal proceedings have fin-

The Trade and Industry Committee said criminal cand the legal position of individuals could be adversely affected by a public inquiry.

The committee ruled out a private investigation because there were "serious matters involved which require proper and open parliamentary scru-tiny". Its inquiry followed alle-gations that British companies exported tubes to Iraq in breach of export controls after receiving advice from the Department of Trade and

A proposal to continue the

inquiry by requesting written evidence from the Department of Trade and Industry on procedures for handling export licences was defeated by five votes to four.

• Colleagues of a British truck driver held for more than two weeks in a Greek jail over the Iraqi "gun" affair are tening a two-hour protest

the next few days in an attempt to secure his release writes Jimmy Burns. Organisers of the threatened action want to put pressure on the UK government to intervene more forcefully in the case of the truck driver, Mr Paul Ashwell. He was arrested transporting steel tubing believed to be intended as

equities recover from

1987 crash By Deborah Hargreaves

bulietin.

THE market for international equities recovered to \$14.9bm (£8.86bm) last year as it shook off the effects of the 1987 stock market crash which depressed volume in 1988, according to a review of the market in the Bank of England's quarterly

The value of international

The value of international equity offerings remained low in 1988 at \$9 tm. One of the reasons for a rise in international share placements last year was the increase in privatisation issues. European companies have also taken advantage of rapidly rising equity prices to broaden and expenditude their characters that characteristics. strengthen their shareb strengthen their shareholder base and to seek the best avail-able pricing for their equity. International equity offer-ings are increasingly struc-tured with international inves-tors in mind, though they are still undertaken as part of standard domestic haves. Many issues are made to overcome the constraints of small domestic markets.

The Bank of England's review points to the different settlement procedures of the leading exchanges as factors which may represent barriers to the expansion of cross-bor-

International B&C lenders face write-downs

By Richard Waters and Terry Dodsworth

BANKS and some of the other lenders to British & Commonwealth, the troubled financial services group, face write-downs totalling £175m if they accept a rescue plan being circulated among the group's

main creditors.
Other lenders are also being asked to take big losses on their investments in B&C, although not as large as the 25 per cent write-downs proposed for the banks and some loan stock and bond holders.

The proposals are in a draft reorganisation plan circulated by S G Warburg, the merchant bank appointed by B&C following its £550m provision against losses at its Atlantic Comput-ers subsidiary, which threatens the solvency of the group.

Warburg is understood to

have suggested a break-up of the group over the next three years to raise money for credi-tors who have lent about film. The largest group of lenders, with £700m outstanding, has

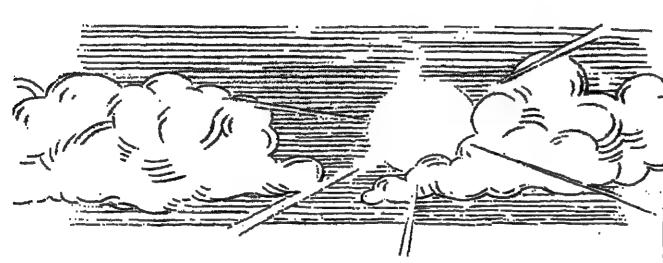
been asked to take the 25 per cent write-down. This is likely to lead to a battle between

creditors. The banks seem prepared to write-down their B&C debt, but on condition part of is converted into preference shares.

David Owen writes: Yesterday saw the creation of a shareholder action group, formed after a meeting of 60 of B&C's 26,000 or so ordinary shareholders, at the New Connaught Rooms, London.



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THE WORLD'S Nº 1

Halifax Building Society, International Investment Unit, Ingouville House, Ingouville Lane, St. Helier, Jersey, Channel Islands Fax No; (0)554 59280 Telex No; 4192384

FT receives awards

The International edition of the Financial Times, printed in West Germany, France and the US, was yesterday named business journal of the year in the Wincott Foundation awards. journal of the year in the Wincott Foundation awards.

The awards were presented at a ceremony at the Mansion House, London. Mr Alexander Nicoll, the FT's international edition editor, received the award from Mrs Joyce Wincott with the editor of the Financial Times Sr Genfrey Owea (ant) and Mr Mike Morgan, international edition production editor (right).

Mr Martin Wolf, chief leader writer of the Financial Times, and Mr Christopher Hulme, economics editor of the Independent on Sunday, shared this year's senior award for excellence in financial writing.

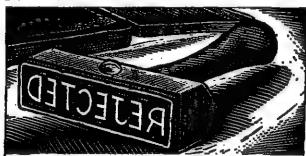
Oil riggers work to rule

ABOUT 3,000 offshore contract workers are working to rule in the North Sea over a demand for union recognition, with

action spreading, union repre-sentatives said yesterday. This was disputed by the UK Offshore Operators Association, which represents all the companies operating fields in the North Sea. It said action was fairly limited. About 30,000 people work officers of which an estimated 70 per cent are contract workers.

contract workers.

The dispute with the six unions dates back to January with members offshore seeking to gain joint union recognition by all the contracting companies operating in the North Sea and and an annual comprehen-sive review of pay and condi-tions for all the unions.



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The Baily Telegraph

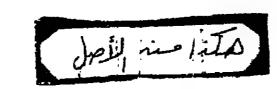
INVESTIGATION ATLANTIQUES Société Anonyme d'investissement Registered Office: Luxembourg, 14, rue Aldringen Comercial Register: Luxembourg Section B 8.722 NOTICE OF ARRUAL GENERAL MEETING
OF SHAREHOLDERS

The Annual General Meeting of Shareholders of INVESTISSEMENTS ATLANTIQUES S.A. will be held at its registered office at Lossenbourg, 14 rue Aldringen, on May 18th, 1980 at 14.00 hours, for the purpose of considering and until the purpose of considering and 1. To hear and accept:

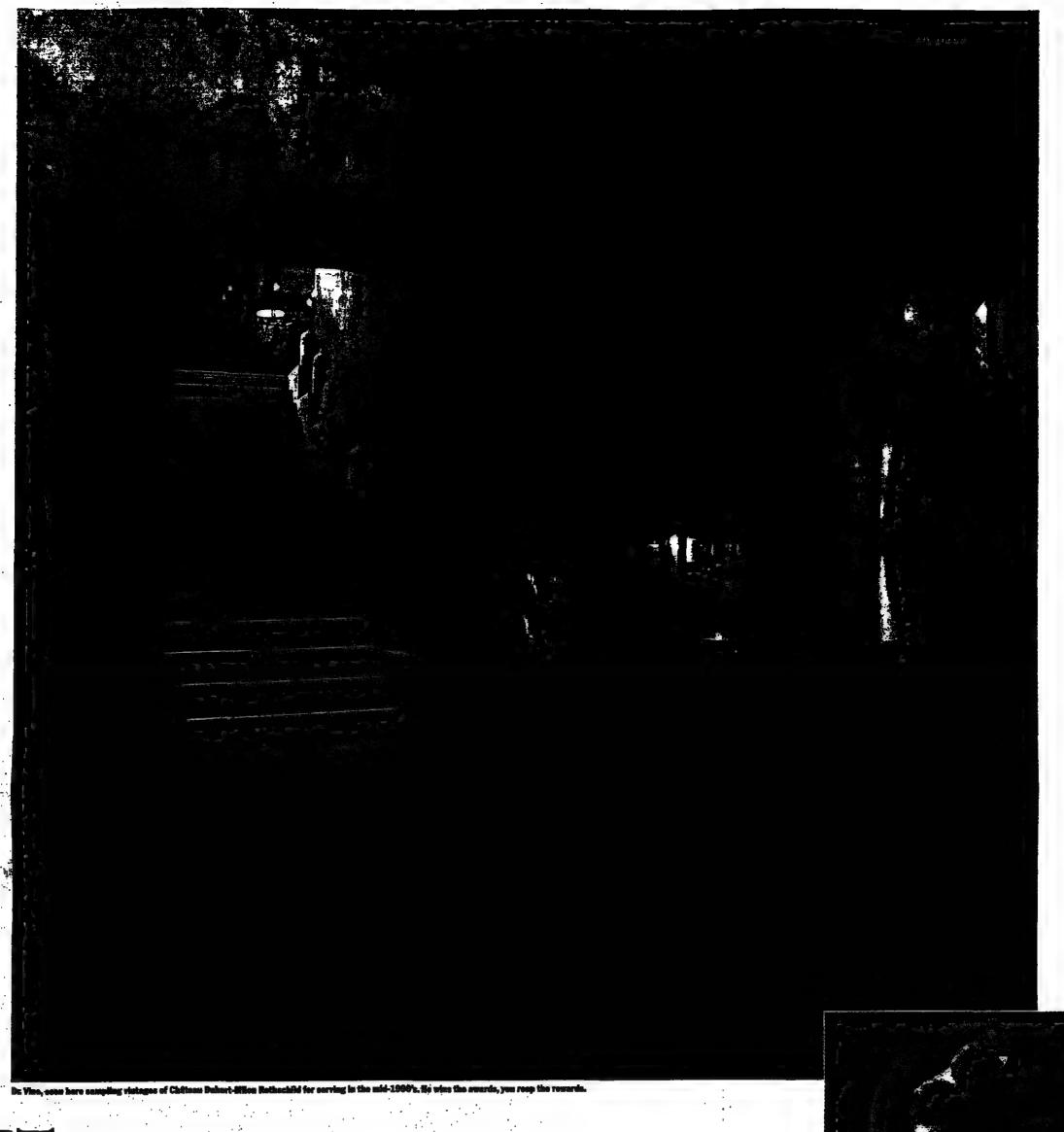
5. To elect the directors to serve until the next annual general meetin phereholders, and to propose Mr. William REED, tendé de pouvoir at the Sa Sénérale du Luxembourg, as a new director of the board in replacement of

urpholders are advised that no quorum for the statuted and that decisions will be taken by the majority of the sha thad at the meeting. required and that de

in order to take part at the statutory meeting of May 18th, 1990, the observer shares will have to deposit their shares five clear days before the state registered office of the Pund, 14, rue Aldringen. Luxusmin.



Full Name (Title)...



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we're privileged to offer you their Duhart-Milon'83. The Doctor's ex-

pertise has borne fruit in another respect. Along with our

food, our wines have just won Business Traveller Magazine's 1990 award for being the most outstanding in Business Class (competing, incidentally, with nine other top international carriers). Before you next fly the Atlantic, ring your travel agent or local American Airlines office and we'll be happy to reserve you a table.



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AGENDA

Approval by the Extraordinary Meeting of the Bondholders to the merger of Provinsbanken A/S with Den Danske Bank of 1871 Aktieselskab and Copenhagen Handisbank A/S under the name of Den Danske Bank Aksieselskab, assuming all the rights and obligations of Provinsbanken A/S.

Resolutions on the agenda of the Meeting will require that at any such meeting two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding shall form a quorum for the transaction of business and no business (other than the choosing of the chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business.

Should such quorum not be reached, a second meeting would then be convened. At such adjourned Meeting two or more persons present in person holding Bonds or voting certificates or being proxies (whatever the principal amount of the Bonds so held or represented) shall form a quorum and shall have the power to pass any resolution and to decide upon all matter which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting.

For the purpose of obtaining voting certificates or appointing proxies, the holders are required to deposit their Bonds at the latest three business days prior to the meeting at the offices of Den Danske Bank Aktieselskab, or at the above mentioned

Proxies should be lodged with Den Danske Bank Aktieselskab, or Banque Paribas Luxembourg three business days before the Meeting.

The Board of Management

Manchester Business School

PROSPECTS FOR THE **BRITISH ECONOMY** Thursday July S 1990

This important one-day conference in association with Cambridge Econometrics will analyse the outlook for the British economy in detail over the next two years and in more general terms until the end of the century. It will be of interest to marketers, business planners, financial analysts and policymakers in both local and central government.

Topics ■ Economic outlook 1990 - 2000

■ Corporate sector trends and outlook # Consumer confidence

■ Monetary and fiscal policy

s: Prof. Tony Cockerill, Prof. John Pickering, Richard Lewney, Richard Brown.

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UNIVERSITY OF MANCHESTER

UK NEWS

Former Moscow envoy attacks Government



Sir Bryan Cartledge: "Russian studies inadequate"

A FORMER British Ambassador to the Soviet Union yesterday attacked the Government for failing to provide adequate resources for promoting exports and business contacts with the Soviet Union and Eastern Europe and for studies of these countries and their languages writes Robert Manthner.

Sir Bryan Cartledge, Princi-pal of Limacre College, Oxford, said in a lecture delivered at the Royal Institute of International Affairs in London, that exporting to the Soviet Union and Eastern Europe would become more difficult during a transitional period in which the old structures were dis-mantled, but had not been

replaced by new methods and institutions.

He said it was disappointing that Eastern Europe, including the Soviet Union, ranked only 7th in the British Overseas Trade Board's list of priorities in its latest forward plan.

"It is precisely in conditions of change and confusion such as currently obtain in the Soviet Union that exporters most need official advice and governmental assistance," Sir Bryan said. "If this is not increased to keep pace with the growth of opportunities, Brit-ish companies will be disad-

vantaged."
Sir Bryan also underlined the findings of the Wooding Commission, of which he was a

throughout the Community

today - and which is now likely to be called absorply into

question.
The compromise reached at

tions Department took the form of the Block Exemption

member, that the provision for Russian and East European studies in the UK was "seriously inadequate" to meet greatly increased student demand or the national need.

A number of detailed recommendations by the Commission on ways in which research and lectureships for the revival of Russian teaching could be funded, were still waiting to be implemented. They would cost £9m, but spread over 14 years they would never exceed £1m in any one year.

There was no way in which the establishment of a secure foundation for Russian and

"snake", that has primarily triggered this latest contro-

The rules which still stand

provide for an inquiry to be triggered, automatically if prices vary by more than 18 per cent for a short period, or

by more than 12 per cent over a period of a year or more. Of some help to the manu-facturers is another provision that excludes from the snake

those markets where govern-ment taxation levels are atypi-

Committee calls for increases in education spending

A HOUSE of Commons committee led by the ruling Conservative Party yesterday called for a substantial increase in education spending to combat teacher shortages, with teachers in specific sub-jects to be paid according to a higher scale.

The controversial report had

The controversial report had been delayed for months by political maneouvering and is likely to embarrass the Government which has sought to minimise teacher shortages and to cap spending.

Yesterday, the four opposition Labour party members said they had voted against the report, in part as a protest sgainst constant unacceptable pressure applied by government officials. They also said they were sceptical about they were sceptical about whether the Government is willing to allocate funds needed to implement the

reports' recomm reports' recommendations.
Committee Chairman Mr
John Thornton MP said yesterday that it would be impossible to carry out the government's education reforms
without higher spending. "If
the Government wants to carry out its reforms, and clearly it does, then the resources will have to be

found," he said.

The report did not attempt to estimate the extent of teacher shortages, but noted that the Government's own figures estimate that an additional 29,500 teachers will be needed by 1995 to implement the national curriculum and to meet an expanding school-age population. This would cost about \$400m per year, assum-ing no increase in salaries. Among the report's main recommendations is that

teachers in shortage subjects — defined as maths, science and computing — be paid on a higher pay scale. The recom-mendation was criticised by the two largest teaching unions, the National Union of Tenchers and the National Association of Schools Union of Women Teachers. The report acknowledged the case for a general rise in

European car policy comes under scrutiny

The inquiry on vehicle pricing may find EC rules ineffective, writes John Griffiths

of new car prices in Britain to the monopo-lies watchdog, the Monopolies and Mergers Commission, marks the return of a five-year-old bad dream to haunt motor manufacturers and deal-

It is certain to generate a major new wave of suspicion and cynicism among British consumers – and not just about the prices they are charged both for cars and the parts which keep them on the

The announcement of the referral by Sir John Borrie, Director General of Fair Trad-ing, must also cast renewed doubt on the efficacy of the European Community rules put in place at the end of 1984 and which were aimed at pro-

becting consumers' interests.
Inevitably, too, it will inject
a new and controversial element into the discussions about how cars should be sold in the EC when the partial exemption of the motor trade from Treaty of Rome competi-tion rules comes to an end in June, 1985.

least the Brussels-based Bureau Europeennes des unions de consommateurs, waged a major publicity war in the early to mid-1980s.

Their aim was to convince motorists in the UK and some other Community countries that they were being charged much higher prices then were New car prices in the EC Relative average price levels in 1989 Not of texas Inclusive of all terms

warranted by manufacturers taking advantage of outdated customs, practices and percep-tions of "what the market will

They were being helped in keeping prices high, argued the consumer groups, by such factors as restrictions on Japa-ness car imports in some mar-kets (to a celling of 11 per cent of total new car sales in the UK) and the refusal of dealers under pressure from their vehicle suppliers - in countries where cars were cheap to supply them to motorists want-ing to import them into high-

priced markets.
The manufacturers fought, over several years, a flerce rearguard action in which they claimed that cross-border price differentials were much less than the consumer groups

Differential taxation regimes, exchange rate varia-tions, and even the existence of different specifications in indi-vidual markets for vehicles with the same names, were all arguments brought into play by the manufacturers in an

effort to convince buyers that no "rip-offs" were at work. The manufacturers were par-The manufacturers were particularly concerned because they wanted to stem the tide of "grey" imports" to the UK which they saw as undermining their profitability; between 1980 and and 1985 about 200,000 cars were estimated to have been brought into the UK by buyers taking advantage of cheaper Continental prices.

Neither side was wholly successful in its arguments, the eventual outcome being the regulatory framework for car

regulatory framework for car

Regulation, which became effective in November, 1984. Under it, the motor trade and industry was exempted from Treaty of Rome rules requiring that individuals should be allowed to buy goods freely from whoever and when

They were allowed to retain the system of exclusive franchises between manufacturers and dealers — known as selective distribution - on the bunks that motor vehicles are com-

plex products, requiring sophisticated after-sales care,

sophisticated after sales care, and that it was actually beneficial to consumers for the system to stay in place.

However, the regulations also insisted that manufacturers make available to dealers vehicles similar to those the dealer normally sold, but with the specification of another Community country.

In UK terms, this has meant the provision of right hand drive cars to any British driver who wants one to buy one in,

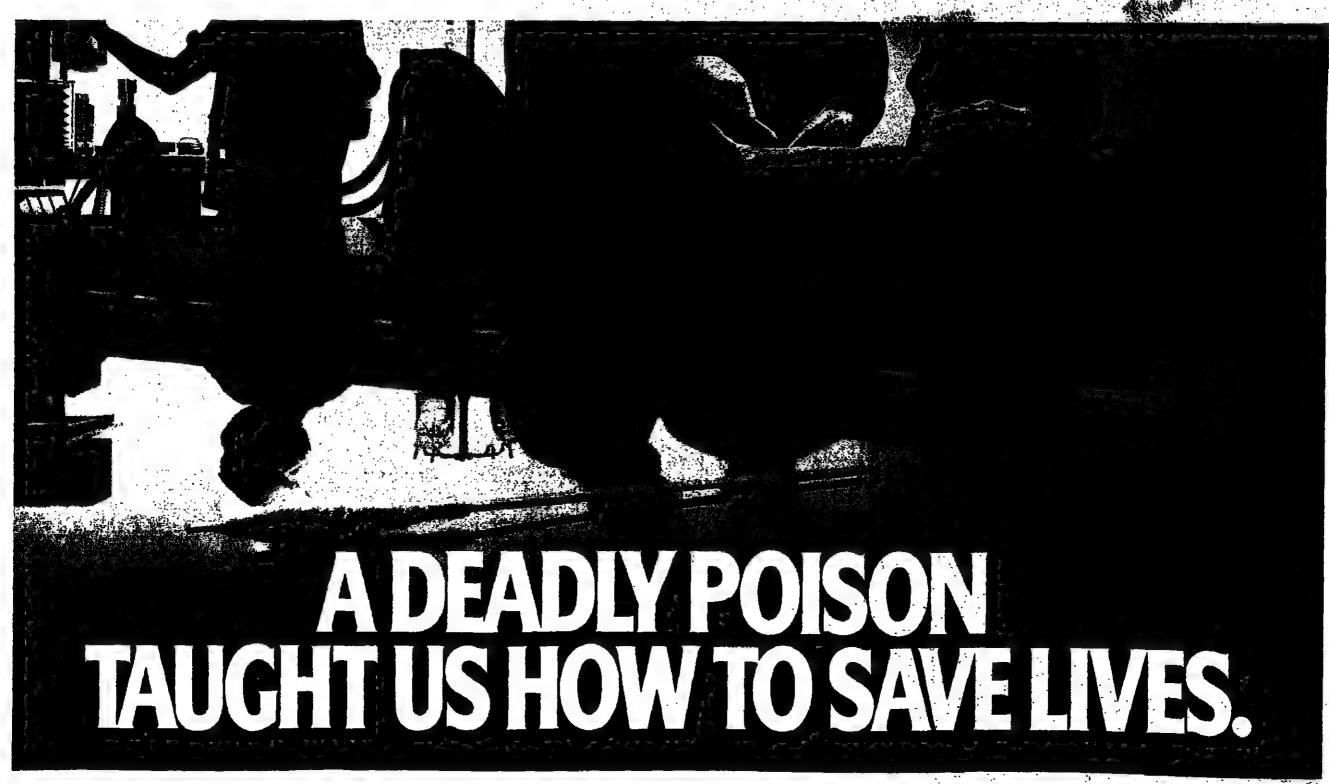
who wants one to buy one in, say, Belgium or Luxembourg. But it is the apparent ineffi-cacy of one of the key ingredi-ents in the compromise, that ents in the compromise, that EC new car prices should move only within a predetermined band much like the currency

cally high.
Notably, this includes Den-mark – where taxes increase base vehicle prices by 109 per cent — and Greece. The arguments being volced

by consumers groups, and the BEUC in particular, is that prices have demonstrably not remained within the guidelines (see chart), and that there seems to have been little or no action by Brussels to seek compliance. A study undertaken by the HBUC for the Directorus-General for consumer protec-tion in Brussels late last year concludes that average differences in pre-tax price levels for new cars in the EC "are back up, after a long period where

The average difference between Belgium and the UK of 52 per cent in 1961, had narrowed to 19 per cent in 1967, in 1989 it has widened to 31 per

"More than ever there is room for a permanent market in parallel imports".



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a patient's muscles more effect- backs. Natural curare lowers a solution quickly became the most patient's blood pressure and can widely used muscle relayant in



UK NEWS

BRITAIN IN BRIEF

increase.



S Koreans invest in audio plant

Inkel, the South Korean manufacturer of andio equipment, is to set up a factory in the North East of England to provide a base from which to export automobile stereo systems to continental Europe.

continental Europe.
The new plant, which involves a total investment of about £3m, is the third Korean operation in the region and the 10th Korean greenfield investment in the UK.

coincided with a virit to Sworl by Mr Nicholas Ridley, the secretary of state for trade and industry. In addition to promoting Korean direct investment in the UK, he is discussing a series of trade issues including the protection of intellectual property rights, the reduction of taxes and barriers to imports of scotch

parriers to imports of scotch whisky and the liberalisation of Korea's capital markets. Inkel's announcement also coincides with a decision by the European Commission to investigate alleged dumping of car radios in the European Market by Korean companies. European markets account European markets account for nearly a third of Inkel's

Borrowing rises fourfold

Personal borrowing in the UK, excluding mortgages and fuel bills, has risen nearly fourfold in the last 10 years, the National Consumer Council says in a report on credit and debt published today.

The report says personal borrowing was £11bn in 1960 and is now well over £43bn. It says people are relying on future income to pay for what

9.50

The NCC says: The mor people earn, the more likely they are to use credit - but it is the poorest who are more likely to have insurmountable problems paying what they owe."

New phase for

our policies more strongly," he said.

Ashdown: new message

Now that the phase of repairing "terrible damage we did to the party and its image" was over, the party's good performances in the London boroughs of Richmond, Suiton and Tower Hamlets would be used as a smale model" for alsowhere.

He said that the party would build on those successes which

were hased on providing quality services and devolving

power. The approach would concentrate on the voter as

omenner fod es citibes.

Toxic waste

A survey for the Department of the Environment has disclosed widespread problems of toxic waste leaks and the build up of explosive methans gas at waste sites in England and Wales.

It also shows that little is

It also shows that little is

being done to monitor the sites

build up

of landfill sites to be set up by the Government. The study, conducted by consultants Mr Barry Croft and Mr David Campbell, covered 100 landfill sites dealing with 13m tons of rubbish a year.

Yesterday Friends of the

organisation which obtained

a copy of the report, called for a national monitoring system

Earth, the environmental

Democrats Last week's local election First shots

results, where the Liberal Democrats gained around 18% of the vote, marked the start of a new phase for the party, Mr Paddy Ashdown, the Democrated leader and in by-election The opposition Labour Party and the Conservatives fired Democrats' leader, said yesterday.
"We must be much more the opening shots in a by-election in Bootle, north-west England, yesterday with Mr Roy Hattersley, deputy opposition leader, saying the seat would be fought as if it were a marginal. positive and aggressive in selling our message to the public and playing through

Speaking in the Merseyside constituency, Mr Hattersley predicted Labour would win with a "very substantial majority". The challenge was for Mr Mike Carr, Labour's candidate, to produce o result which would prove the party was "surging ahead all over the country". The contest was caused by the death of Mr Allan Roberts,

the Labour MP who in the of 24,477.

New business computer

Research Machines of Oxford, which claims to be the UK's largest independent personal computer manufacturer, yesterday announced a new intercomputer designed to provide computing power for a network of personal computers for small and medium sized businesses

medium sized businesses.
It is based on the fastest available conventional microprocessor, the intel 80/486, and uses the Unix operating system, which is becoming the industry standard.

Survey on Leukaemia

A mitigal curvey suggests that leukaemia is more common in Britain than was previously supposed from official medical statistics, although it remains a very rare disease.

charity, believes there may be as many as 3,600 new cases of the disease each year in England and Wales, some 60 per cent more than

government figures suggest. The geographical distribution of the disease also varies widely, with a strikingly high rate for Somerset.

The small Somerset town of Yeovil has the highest incidence of chronic lymphoid lenkaemia and acute myeloid leukaemia of any community in England or Wales.

Kinnock

praises press Mr Neil Kinnock, the Labour Party leader, yesterday praised local and regional newspapers for their diversity, dependability and their lack

Local newspapers upheld C.P.Scott's maxim that " ment is free but facts are sacred " to a greater extent than many national newsdaders.



Kinnock: "facts are sacred"

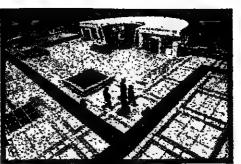
The Labour leader was speaking at the British Regional Press Awards organised by UK Press Gazette and sponsored by the Post Office where the Shelfield Star won the top award for its coverage of the Hillsborough football disaster and also won the production award.

Sea rescue

Three badly-burned seamer were rescued after an explosion on a bulk ore carried to miles south west of Land's End yesterday, associated to constiguard reports.

The injured crewners from the Taiwanese-owned Trave Ore were flown to hospital

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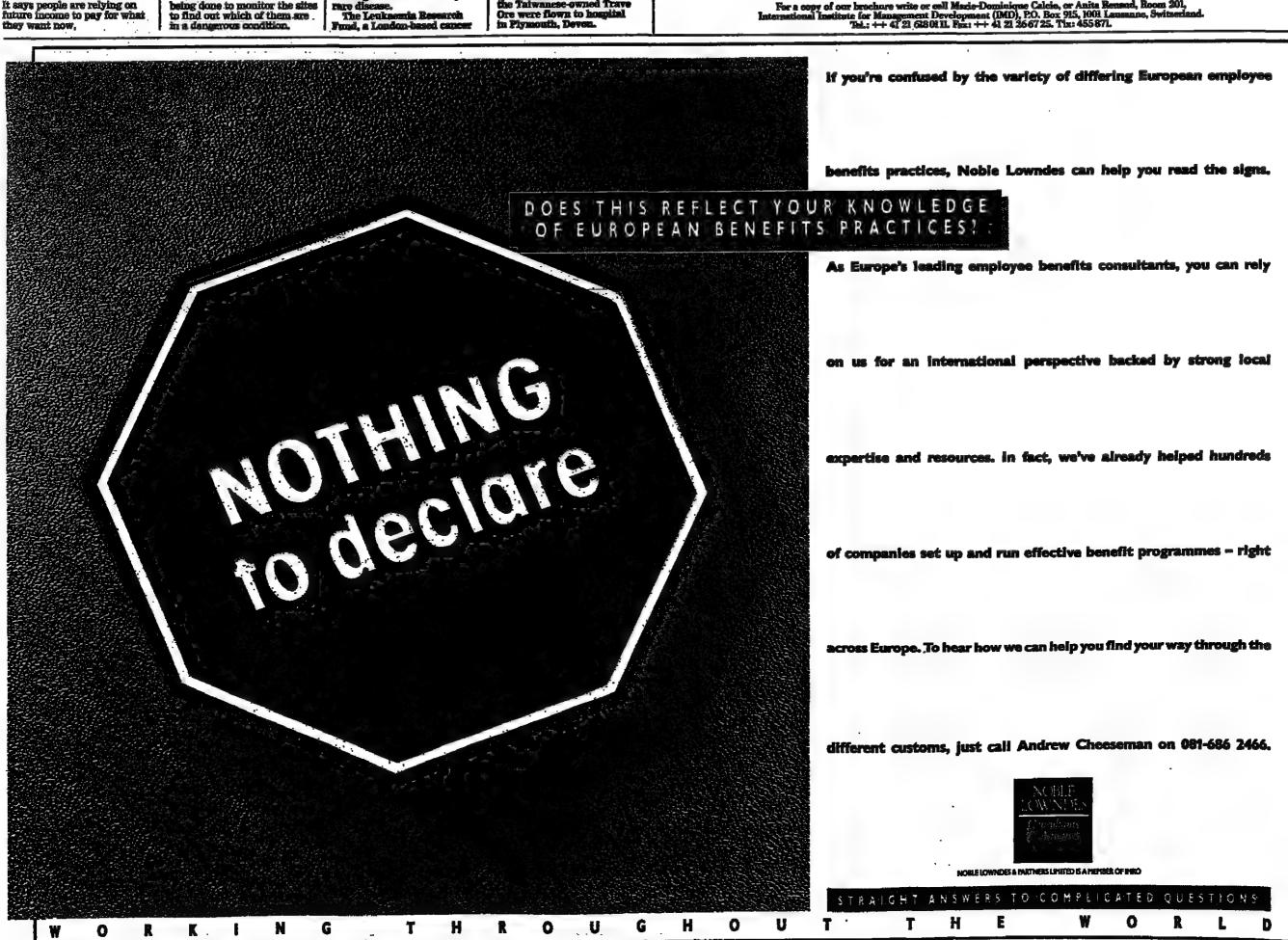
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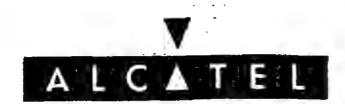
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Business Law

Straitjacket for the water industry?

By John Cook

EARLY in January last year, Mr Nicholas Ridley, then Sec-retary of State for the Environment, gave notice that he would be introducing special merger controls into the Water Bill which had by then already begun its passage through Par-liament.

The controls would apply to mergers initiated after his announcement, but their precise nature became apparent only when appropriate clauses were introduced into the Water Bill in late February last year.

They reflect the fact that the supply of water is a natural monopoly and that the proxy for true competition — "yard-stick" competition — created by the regulatory regime is dependent upon the Director General for Water Services (DGWS) continuing to have data available from as many water undertakings under independent control as possible ("the independent control prin-

At the end of last month the first report of the Monopolies and Mergers Commission (MMC) under the new controls was published. It dealt with the proposed merger between
Lee Valley, a subsidiary of
Compagnie Générale des Eaux,
Coine Valley and Rickman-

sworth water companies. The Three Valleys proposals, as they came to be known, were first announced in July last year and were referred to the MMC by Mr Ridley, by then Trade and Industry Secretary,

The report gives little comfort for those contemplating mergers within the water industry, and highlights the complexity and uncertainty at stage surrounding a number of important aspects of the regulatory regime introduced

in the Water Act.
The MMC concluded that the Three Valleys proposals might be expected to operate against the public interest but only because, in the MMC's view, they failed to guarantee that all savings realised through

the merger would be passed on to consumers in lower charges. The Miles went on to recommend that the merger could proceed, provided that the parties were able to give satisfactory assurances that their consumers would benefit fully and quickly from the mergar. However, even this condiquestion by the DTI press release which accompanied publication of the report.

Mr Ridley took the unusual step of publicly questioning the MMC's conclusion that the cost savings identified were sufficiently substantial to out-weigh the loss of comparative information available to the

He has asked the DGWS to have further discussions with the companies and to report to him within three months. The

saga continues.

The merger controls in the water Act are unique, even among racent privatisations, and in marked contrast to the general merger controls in the

general merger countries in the Fair Trading Act 1973.

The Water Act allows the Secretary of State no discretion as to whether to refer a quali-fying merger to the MMC for investigation. Reference is

More importantly, the public interest test which the MMC is required to apply, in practice, creates a strong presumption against any merger between water enterprises compared with the neutrality of the Fair

Trading Act.
Several pages of the MMC's report are taken up with analysis of exactly what kind of public interest test the Water Act has established. One thing is clear: it is very different from that with which the MMC is

familiar. Under the Fair Trading Act the public interest is at large, but factors such as competition, consumer choice and efficiency are highlighted, and, in practice, the MMC focuses on the effects of a merger on competition in the UK.

By contrast, if a water merger under review preju-dices the ability of the DGWS to make comparisons between different water enterprises, the Water Act prevents the MMC from taking into account "any other purpose" in judging the

It may only take account of It may only take account of another purpose if it is satisfied either that the other purpose can be achieved without detriment to the "independent control principle", or that it is "of substantially greater significance in relation to the public interest" than preservation of the minciple.

the principle.

This test places a very considerable burden on those seeking to justify a water merger, and the first report of the MMC demonstrates just how difficult that burden is to discharge.

However, the public interest test in the Water Act, though lamentably unclear, is not as odd as it might seem at first blush. "Yardstick" competi-tion, established through the K formula for setting water charges, is designed to mimic the operation of the competitive market absent among the natural monopolies of water

The controls over water mergers seek to protect "yard-stick" competition just as general merger control seeks to protect the structure of truly connetitive markets

The companies involved in the Three Valleys proposals identified, with some precision, some £50m-£60m of cost savings achievable through the merger. As a result water charges were expected to be at least six per cent lower than they otherwise would have been at the end of a 10-year period following the merger.
Interestingly, the MMC regarded this level of saving as sufficiently substantial to outweigh the loss of comparative data suffered by the DGWS as a result of the merger and to tip the balance weighted against mergers between water companies in favour of the

Three Valleys proposals.
This assessment is of limited value as a precedent, however, since the MMC was unable to quantity the detriment milisted by the DGWS.

Not surprisingly, the MMC was unwilling to sacrifice quantifiable benefits for consumers of the three companies in favour of "future theoretical benefit" for consumers gener-ally, which the DGWS argued would result from maintaining the three companies as sepa-

A hird in the hand is worth two which have yet to emerge from the tangled undergrowth of the regulatory processes in the Water Act. However, the MMC refused

to clear the merger outright on the ground that the proposals failed to guarantee consumers all the benafits of the cost savings within the near future. The regulatory framework, acting as a surrogate for a competitive market place, has been designed to ensure that consumers obtain good-quality water at reasonable prices

while not deterring investors. This, in turn, is the key to the political success of water priva-

The MMC's task under the Water Act is to act as the guardian of "yardstick" competition and, as such, it occupies a more apparently political role than usual, as demonstrated in its decision that consumers in the Three Valleys area should not forego lower water charges in favour of consumers throughout England and Wales. It is therefore dou-bly unfortunate that the MMC should find itself applying merger controls which are so

constitute a more effective deterrent to takeover activity than the golden shares held by

share prices. The controls aimed at preventing concentracontrol of water companies by favouring bids from companies without interests in the water

deterred from seeking to acquire their less successful counterparts, and applying

As regards such a key element as the test for determin-ing what constitutes a loss of independent control, the MMC. independent control, the MMC, even after a special legal hear-ing and leading counsel's advice, was left with conflictanyes, was left with contacting interpretations both of which it regarded as "tenable and capable of being argued effectively". Not surprisingly it opted for the one which gave the controls a wider ambit. The MMC report into the Three Valleys proposals demonstrates that the merger controls in the Water Act may

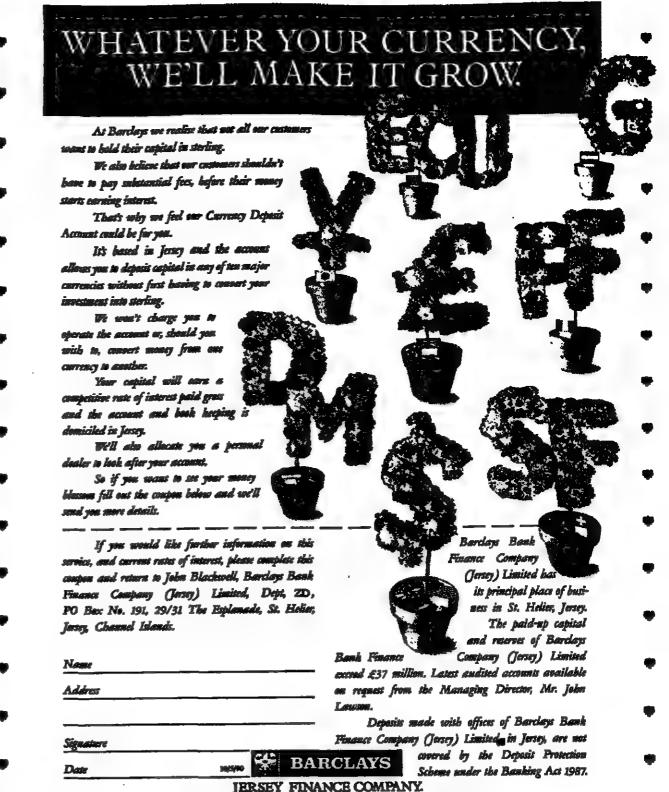
The publication of the report has already had an effect on tion, distort the market for

the Government, particularly after its decision in the case of

industry.
Such hids fall to be investigated, if at all, under the more benign Fair Trading Act regime. On the other hand, mergers between the larger water enterprises are subject to mandatory reference under the Water Act, with its much stricter test for clearance. Successful and efficient water companies may be

their greater expertise.

The concept of "inset appointments" is unlikely to introduce effective competition into the industry, as the report recognises.
The author is a pariner of City solicitors Norton Rose.



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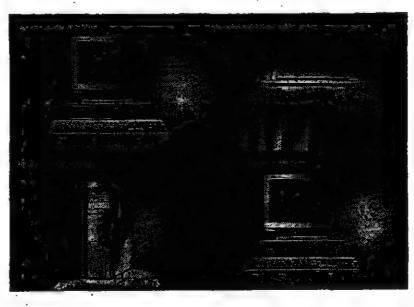
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Helping the Baby grow up

Clay Harris explains the rationale behind Belling's imminent campaign

elling & Company has been making electric cookers on the same site in Enfield, north site in Enfield, north London, for more than 60 years. Its best-known product, the counter-top Baby Belling with two rings and a grill, is a standard fixture of bed-sitting

Despite this humble heritage, Belling is one of three companies which dominate the UK electric cooker market, together accounting for 85 per cent of sales of stand-alone

The others, Tricity and Creda, are owned by multinational giants, Electrolux and General Electric Company respectively, each with annual sales approaching 55th sales_approaching £8bn.

Belling, at present narrowly the market leader, is in a dif-ferent league. It is a one-sector ecialist with sales last year of only £60m. It has not spent a pound on advertising since the

That is about to change.
Belling has appointed J Walter
Thompson to ascertain the
most effective way to advertise. The company has also focused on design as the best way to differentiate its products, says marketing manager Andrew Smith, "not only from everything else in the marketplace, but also from what has

gone before." Change was forced on Bell-ing because its main competitors were bought by huge companies with global horizons and few of the financial con-straints which fettered a small privately owned company. Moreover, one of Belling's main markets, the electricity board showrooms which account for 60 per cent of its sales, were being shaken up

before privatisation. Richard Beiling, nephew of the company's founder, began three years ago to bring in a new generation of executive directors with broad outside experience. He stepped down as chief executive, but

remained as chairman. Then the company launched a strategic review of its raison d'être. Belling's strength, it concluded, was that it was focused on a single business cooking – and did everything – administration, research, anufacture – on one site. It then looked long and hard

at its main market - free-standing and slot-in electric cookers. Belling decided it could not afford to forgo any sale just because it lacked a model at a certain price or with certain features. Spotting two such gaps in its product slotted into a kitchen.)
range, it filled them.
More important, it needed to for Belling have a 1950s feel,

convince customers to buy cookers more often. "The replacement cycle is 15 years," says Simon Turner, commercial director. "Strategically, we need to drive that down."

A complete rethink of the company's design image was the answer. For the first time in a decade, Belling looked out-side for advice. Its telling choice was Paul Priestman, one of the brightest lights in UK industrial design.

"We wanted to know what were the real design trends long term — outside the UK and outside the cooker industry," says Turner. Smith notes: "If we tool up for a new range of cookers, that line has to last for six years minimum."
Since Priestman, who is still

in his 20s, helped to establish his credentials by manufactur-ing convector heaters of his own design, Belling came to the right place. "We design in a way that can be manufac-tured," Priestman says. One Priestman-designed cooker requires only 180 com-ponents against 320 in the

model it replaces. Moreover, pressed steel side panels are both more rigid and more attractive on the showroom floor (they are hidden when slotted into a kitchen.)

white and with curved lines. although this retro look is intended to be timeless. Knobs are pointed at one end, and perceptibly click from one setting to another. Although it has budget

ranges, Belling is aiming especially to increase sales to pros-perous prime-of-life consumers, perous printed the consumars, old enough to remember the 1850s – just. Belling's average price for cookers of £460 is already well above the overall UK figure of £349.

The Priestman cookers are now on display in the Design Museum's review gallery. By the middle of 1991, Belling intends to have replaced 70 to 80 per cent of its cooker range with models designed by Priestman Associates. By then, its advertising campaign should be in full swing.

JWT was appointed in January. Its initial task is to study the buying process and how

the buying process and how advertising works in the appli-ance market. Unlike rivals with deep pockets and a broad range of appliances to benefit from the "halo effect" of brand advertising, Belling will have to target its message carefully and effectively.

The commany is already a

The company is already a household name. Andrew Robertson, group director at JWT, says: "Belling is acknowledged to be a British company which



Andrew Smith (left) and Paul Priestman at the Boilerhouse gallery; cookers are designed to be timeless

produces robust, high quality cookers." But balancing the positive images are negative connotations: old-fashioned and dull, too identified with

and dull, too identified with the Baby Belling. "What we've got to do is exploit some and change the others."

Belling is now committed to advertising. "We recognise the value of the brand but also the need to re-invest in it," says Turner. Robertson helieves that Belling did not suffer much from its seven years without advertising because its rivals were not advertising

Both men are keen not to rejudge JWT's research, but their instinctive view is that Belling must be established in the consumer's mind long before a purchase is planned.

"Belling's reputation has to become very familiar even to people who are not going to buy a cooker for seven years," says Robertson. As a result. says Robertson. As a result, the eventual campaign will be "intrusive and focused" and "highly visible." No longer a baby, Belling will soon be both seen and heard.

ing jargon has slipped into the var-nacular. Their comments were pep-pered with words like "promote", "demonstrate" and "image". They talked in terms of "awareness of a new brand" and "a send-up of nostal-ria commendate" Similarly the consumers were very perceptive about the technical aspects of advertising. They were critical of cheap sets and poor acting. They complimented ads with lavish production budgets for using "a variety of convenience and the latest and being the convenience and the convenien sty of camera angles" and being well edited". Setford believes that the study

proves that consumers have reached a new level of understanding about advertising. This, he says, intensifies the pressure for commercials to be "challenging intriguing and surprising to the viewer, but also relevant and above all credible."

Inquiries to Leo Burnett. 48 St Martin's Lane, London WC2N 4BJ, (071)

A serious giggle for the goggle-eyed

Philip Rawstorne on marketing opportunities afforded by ITV's Telethon

consumer goods, now regard support for community and charitable projects as an essen-

tial part of their business. Natwest bank, for instance, will be giving flish to a variety of causes this year in recognition of its "responsibilities for the well-being and stability of the community."

becommunity."

But one day in the year is becoming a kind of national festival of corporate and community fund raising. This is the 24-hour ITV Telethon, to be held this year on May 27-28.

The show, broadcast in all 15 ITV regions, aims to make fund-raising fun. It features sponsored events from swim-ming marathons to supermar-ket trolley races. People wearing blue ears will perform all kinds of daft stunts.

Last year, 35m viewers tuned in. In the last hour of the show, 5m of them rushed to telephone their pledges of con-tributions to a total of £28m. tributions to a total of £23m. The money was all channelled back into projects in the regions in which it was raised.

"It is an opportunity for companies not only to do good, but to be seen doing good, says Diane Potter, executive producer. The programme is, therefore, becoming an attractive marketing medium—a means of improving corporate image and brand promotion. image and brand promotion. Shella Underwood, commu-

nity affairs manager for Safe-way, the supermarket chain, for instance, aims to double, last year's £150,000 contribu-tion by involving staff and customers in a series of events in different areas. The television coverage raises awareness of coverage raises awareness of the company and generates a positive response," she says. "It is very easy for supermar-kets to be seen as just taking money at the checkout. This shows that we want to be part of the local community, that we care about it, and that we want to help it in as many ways as we can."

The opportunity is also being used to promote Safeway's own-label soft grain bread. The store is guaranteeing a £25,000 contribution from donations

any British public companies, from cant of his marketing budget this year to Telethon.

The company has organised a sponsored swimming marathon, which began in March and involves some 11,000 swimmers at 120 pools across the country. The first 2,000 swimmers have already raised

mers have already raised £250,000. "Our people enjoy getting involved, and it fosters a good community spirit within the company," says Brodie.

But for Premier, Telethon is more important as a means of promoting its chocolate drink brand, Cadbury's Chocolate Break. "The event links us to leisure centres. an important Break. "The event finks us to leisure centres, an important market for our products," he says. "It involves us with people of all ages, taking part in a popular activity throughout the country. It is an effective way of reaching those people—and there are a lot of them—who do not watch television. who do not watch television

Burger King, the fast food chain, will be selling Telethon's blue ears — an idea adapted from Comic Relief's red nose — in its 190 UK restaurants.

taurants.
"We are doing it because it's "We are doing it because it's a bit of fun," says marketing director, David Richards. But it is serious, too, because Burger King is trying to build itself into a national brand, and the 19-40 age group which is its target market will form a large slice of the Telethon audience. The combination of altruism and advertisement, cornorate

and advertisement, corporate image and corporate responsi-bility, is proving a potent attraction to many others. The London stock exchange

The London stock exchange is giving ip for every 50 shares and every 1,000 gilts traded on the day; Abbey National, Our Price, and W H Smith are planning collections.

British Telecom is organising the 3,500 telephone lines for accepting pledges from the programme's viewers.

In an exercise that, will cost an estimated 2590,000, Nat-West, one of the first of Telethon's supporters, is maining 41 centres with 5,000 volunteers from its staff to handle contributions. "Our staff enjoy being involved with an event which generates such obvious benefits for national and local charities," says Tom Frost, NatWest chief enecutive.

A British perception of commercials

Back in the 1950s popular perceptions of the advertising industry were dominated by Vance Packard's book, The Hidden Persuaders, and its image of advertising agencies as Machiavellian manipulators, number out propagands to ulators pumping out propaganda to opressionable consumers. Commercial television was then in down their opinions of any commer-cials which — for good or bad rea-sons — had made an impression on them. The Research Business also its infancy in Britain. Families gathered around their TV sets to gaze goggle-eyed at simpering celebrities plugging the virtues of various prod-ucts in the commercial breaks.

Those days are over. The average consumer has become blase; he or she now watches almost 30 hours of television and sees up to 200 commer-cials every week. The TV set — and the commercial — are part and parcel of everyday life.
Leo Burnett, the London ad agency, act out to discover how this exposure to commercials has affected attitudes to advertising. It commissioned a

study from The Research Business to analyse how well consumers under-

stand the aims and techniques of

three commercials, possibly because they had less time for viewing.

The most popular ada tended to be humorous take-offs of television programmes. These included Leeds Building Society commercials featuring George Cole — the actor who played Arthur Dalay in Minder — and a Carling Black Label lager ad which sent up the Treasure Hunt television paries. advertising.

The study required 50 British families to fill in a diary for three weeks last autumn in which they jotted organised an identical study of 30 people professionally involved with marketing.

Subtle, or sophisticated, commercials were also popular. The participants responded favourably to campaigns — like the "Eau" advertising for Perrier mineral water and the One of the most notable conclusions is how difficult it is for commercials to attract people's attention. Typically the participants considered just eight commercials to be worthy of note. Yet, on average, they are likely to have seen snything between 180 and 200 every week in the period. The women tended to comment on more ada than the men. The profes-"soap opera" ads for Oxo stock cubes

which they considered to be
unusual or challenging. The least
popular were hard-sell campaigns
and pompous ads that paironised the sional marketing people were less perceptive than the 50 families. They commented on an average of just

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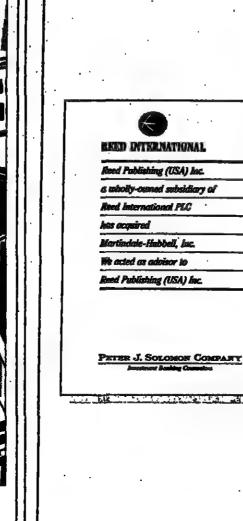
cials. Most could not only identify exactly what the advertising agencies were setting out to say, but also how they were trying to say it. Leo Burnett, like most other large agencies, conducts on-going research

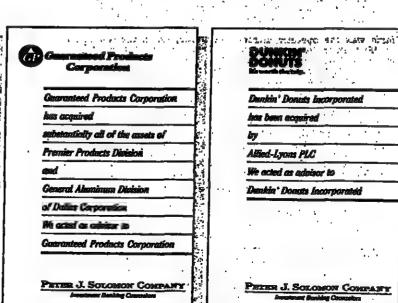
agencies, conducts on-going research into consumers' response to its advertising. Alan Setford, the agency's planning director, says that although this research had shown that consumers were much more sophisticated in their understanding of the advertising process, he had been surprised by the "real depth of knowledge" and "sensitivity" displayed. The participants were able to identify a campaign's strategy. They tify a campaign's strategy. They could also work out whether it was emphasising the functional aspects of a product or the difference between one product and its competitors. They used the same sort of language as marketing professionals in their analysis, showing how advertis-

Alice Rawsthorn bor of Premier Brands bever-

The grant of the second of the

Our only and strains and the sale with a dead are the specialty is sound, unbiased advice.





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CINEMA

Turtle mania is hard to match

NEW AMERICAN

PRETTY WOMAN Garry Marshall

JOHNNY HANDSOME Walter Hill

> LEVIATHAN George Cosmatos

pring, when Hollywood recuperates from the Oscars and the land burgeons with low-bud-get oddities and sleepers, is a fine time to cross the Atlantic and see the new films. Having just done so, I must report a remarkable fact. The place has gone limey mad. Britain has a finger in almost every movie pie on offer, and in the case of at least one pie it has withdrawn a very lucrative finger

indeed.

We speak of Teenage Mutant
Ninja Turtles. Directed by
Britain's Steve Barron, this is
the most unstoppable box-office performer since Batman.
Shattering records, Barron's
creature fantasy with kung fu
trimmings cost \$10m to make
and has already taken \$100m in
a mere month of business. a mere month of business.
(Bannar's E50m seems well in sight). Already popular in comicstrip and TV cartoon form, the "heroes in a half shell" the "heroes in a half shell" now extract tidal waves of laughter and delight from audiences of (more or less) all ages. The film is totally dotty. You must swallow cum grano salls the premise that four baby turtles affected by radiation grewup to become semi-human Ninja warriors. They lurk in the New York sewers; they are brought up by a wise old rat; and they are involved in a long-running fand with a gang long-running foud with a gang of Oriental thugs. They also eat pizzas, dance to rock music and speak as if reared on Bill And Ted's Excellent Advance. ("Excellent!", "Rightsous!",

Awesome!"). You cannot dislike a film so sumptuously daft and so insou-clant in its implausibility. At cant in its implausibility. At the same time, you cannot but wonder at the mental age of modern America, when a movie which re-defines the concept of triviality holds an entire generation in its paw. Lest year at Cannes the film was acreaned in the market was screened in the market and no one took a blind bit of notice. The more fools we. A

horse at an early stage would have us all living now in luxurious retirement. What else are the British

contributing to American cin-ema? Well, we have Michael Caine as an unaccountably Bermondsey-accented business-man living and wife-murdering in New England. (Film, A Shock To The System): We have Jenny Seagrove starring as an English namy in The Guardian, a spry supernatural screamer from director William Friedkin of The Exorcist. And our very own writer-director Harry Hook, who made the justly praised The Kitchen Toto, has now re-made Lord Of The Flies for Columbia Pictures with an all-American

Well, sort of all-American. Britain's Bob Peck turns up as Britain's Bob Peck turns up as a rescuing marine in the last reel, sporting combat camourlage and a frightful US accent. Truth to tell, the Americanisation of Golding's novel does not work well. In the book and in Peter Brook's earlier film, there was a pointed irony in the speciacle of milk-fed scions of the English private school system turning into painted system turning into painted savages. Since there seems nothing femotely milk-fed about the American military school lads in this new film — beef-fed and belligerent to a boy - the transition to barbar loses its shock value and its

witty inses in snock value and as witty incongruity.

The film is also dully directed: as if Hook were caught rabbit-like in the glars of Hellywood attention and suddenly found himself robbed of the subtle, instinctive fluency he brought to The Kitchen Toto.

Of the new American movies with zero input from Great Britain, the alpha and omega are Micmi Blues and Joe The Volcano. The first is a beautifully cross-grained crime thriller about a genial psychopath (Alec Baldwin) outwitting a hundering police detective. blundering police detective (Fred Ward). Baldwin steals the show. Last seen as a CIA suit chasing Sean Connery across the Ocean in The Hunt For Red October, he here swaps goodle for baddle role and



Julia Roberts and Richard Gere in "Pretty Woman"

strange horse from the Spielsay horse? More shaggy dog.
Tom Hanks is the Candide-like innocent who shakes off his soul-destroying job in a rubber goods factory to hop across the world towards self-immolation on a South Seas isle. Why? Because the natives need a human sacrifice to appears Dr Robert Stack has told Hanks he has a terminal "brain cloud" and six months

He should, as herome Meg Ryan gently points out, have got a second opinion, But then we would have had no film. A mixed curse perhaps, since the film we have is whimsical, epi-sodic and flatly acted by the normally bubbling Mr H. Even its moments of champagns anchantment - a giant moon a raft made of travelling trunks, Miss Ryan — could not save it from early box-office demise in America. US film-goers may be fooled by the odd ingratiating turtle but they selden find to recognize the selden find the processing the selden find the selden f dom fail to recognise an out-right, ill-disguised turkey.

The only serious competitor to our turtle friends in the box-office stakes out West is Pretty Woman. Fancy Julia Roberts as a Los Angeles prostitute dreaming of better things? Richard Gere certainly does. A goodle for baddie role and turns in a performance of glittering fun. This should prove as momentums a cerear move as Michael Dongias's leap from hero to villain in Wall Street, which wun thin an Occar and a sim asking fee.

John Patrick Shanley's Jos She coust learn to speak Versus The Volcano is a Richard Gere certainly does. A Richard Ge

skimpy hooker's clothes for expensive gear from Rodeo Pygmation, please meet Irma La Douce. And who is making the introduction? Good heavthe introduction? Good heav-ens, none other than the Dis-ney company, last seem making a film about a stripper (Blaze) and now devoting itself to a streetwalker. We had better put dear Walt on permanent revolve in his misnamed rest-

revolve in his misnamed resting-place. In fact the film, directed by Garry Marshall, is more innocent than its dramatis personae suggests. It is also blithely enjoyable, thanks mainly to Ma Roberts. The gorgeous Oscar nominee (Steel Magnolias) with the bee-stung lips pouts, puris and marry-makes all over the Beverly Wilshire furniture. She renders bearable even the winsome twist whereby Mr Gere, humanised by love, turns from a Wall Street than Into a cuddly and compassionate human

dly and compassionate human being.

Mickey Rourke in Johnny Hundsome turns from a nasty accident in the make-up department into Mickey Rourke. The titular Johnny is a petty crook afflicted with a disfiguring ugliness plus speech defect. Then lo! Arrested after a robbery in which his best friend is killed by treacherous cronies, he is given plastic surgery by a kindly scalpel-genius (Birdy's Forest Whitaker). Will Mr Rourke's outer reformation be matched by an inner one? Keep watching.

dly and compassionate human

watching.
Or not, as you wish. For myself, I kept wishing director Walter Hill (48 Hours, Southern

surgery to remove the film from its casing of turgid stylis-tic cliché. Pursued by Ry Cooder's twangling musical laments, our hero gropes through an eternal night of film noir visuals and ten-min-ute-egg dialogue as he seeks the scummy hoodiums (Ellen Barkin, Lance Henriksen) who terminated his spiriend.

Everyone speaks with an exaggerated "Serth'n" accent; except Sister Luke the speech therapist who has to give Mr Rourke his how-now-brown-cow lessons. Since Mr Rourke is not known for his Gielgud-like articulations at the best of times the change is not spec. like articulations at the best of times, the change is not spectacular. All in all, the film is distressingly silly. In his best movies, Walter Hill has a fiair for making comic-strip two-dimensionalism seem close cousin to tragic distillation. (He famously presented Warriors as a modern-dress version of Kenophon's Anabasis.) But Johnny Handsome seen less distillation than canned melodrams, reached down off the drams, reached down off the shelf and opened with a "Here we go again" automatism.

Finally, a foolish treat for Finally, a foolish treat for monster collectors. Leviather is the tale of a deep-sea mining station menaced by something unspeakable. We allude not to the script – though that would qualify – but to the yukky metamorphic "thing" that comes out of the sea and fialls around gobbling up crew members. Ten for special effects; two for storyline (Alien meets The Abyss) and direction (by George "Rambo" Cosmatos).

Nigel Andrews

The Table of Two Horsemen

refreshingly robust Shaughan Seymour) to equally intense

infatuation with the boyish

charm of Angus Pope's Tom. The play is most successful in its delicate opening scenes when the nature of the the

relationships is at its most

oblique — a quality only pre-served in John Moulder-Brown's portrayal of Nick, the

poetry-quoting ex-schoolmas-

ter, incongruous in khaki, who

plies the third corner of two

triangles. His closeness to

sensitively and selflessly

A perpetual dusk sets both mood and theme of Arthur Frewen's play: the waning of Empire finds a sentimental reflection in the end of the day, a time when cavalry officers swig their sundowners on the immaculately coiffed lawns of the Rawalpindi Club in the exquisitely polgnant know-ledge that things so perfect cannot last. The year is 1942, and awareness of the war raging about and beyond them merely infuses the Forgotten Army with Chekhovian melancholy. Gandhi has been arrested but the the only rep-resentative on stage of his people is the anxious, humble figure of the club servant - an elderly Hindu who, it turns out in a second act set four years later, is probably destined to have his throat cut once he has lost the protection of his colo-

nial masters.

Frewen displays no particular insight into India except for the bit of it that that nestles close to the public school in the affections of a certain class and generation of Englishman. Like the public school (to which all his characters, bar the woman and the Indian, undoubtedly went) it is a place of honour, sport and comrade-ship which can too easily spill into dishonour, love and loneli-

The catalyst in this case is a gorgeous young lieutenant, who is adored by men and women alike. He recites poetry like an angel, fathers an illegitimate child and finally preciptates the suicide of the doting, curmudgeonly Major (non-sportsman, smoker and public school hater) who has quietly loved him throughout, The most striking thing

about Christopher Renshaw's languorous production is that it is chock full of beautiful men

who pursue the ambiguities of their relationships with a Tom, a former pupil, propels him first into the confidence of the Major, and then into marquiver and twitch by way of riage to his protegé's aban-doned mistress, neatly drawn emotional outpouring. Rupert Frazer's has only to shift in his chair for the Major's mood to by Rebecca Saire. change from intense trritation with the club buffoon (a

By the second act one is waiting for something to hap-pen to change the tempo and the direction of what has up to now been an absorbing enough amble through the emotions. But four years of active service, the end of the war and, imminently, of the Empire, have failed to do any more than darken Liz da Costa's skyscape backdrop and deepen the air of despondency to a suicidal purple. One looks in vain for unexpected cloud forma-

tions in wider horizons.

Claire Armitstead



Angus Pope and Rupert Frazer

Fashion

Doug Lucie's award-winning play arrives at the Tricycle in kilburn up-dated and tightened up. Time has been both kind and unkind to this political saga of the dubious machinations of the Cash Creative Consultancy to win the advertising account of the Conservative Party.

Conservative Party.

The party obviously now desperately needs the help of the experts who, in the words of Paul Cash, "tell lies for a living," but Lucie's sympathies with the Outside Laft look more than a little sick after the unbeyone in Pastern Europe. upheavals in Eastern Europe. He was inchy to get away with a line like "real socialism has not been tried" without raising a hollow laugh. In fact the political histrionics in an over-long Act 2 sit oddly and uncomfortably on the taut

playing of Act 1.
Davie Bowie's "Fashion" Davis Bowie's "Fashion" leads the way into a pale dawn which sees a naked Cash rise from his office couch to perform calisthenics while listening to his Ansafone messages. Paul Freeman re-creates the menace in a character who falls into a lonely melancholy by the end of the act when, naked again, he responds to Paul Higgins' rent boy's demand "I want a job" with a lease into truth and "I want love" as he tentatively touches his new employee's chest. to alienate an audience.

employee's chest.

The stage seems set for a study of modern alienation but "right on" politics raises its predictable head and on troop the acting cliches — the Brian Walden-type Labour turncost; the ruthless Tory candidate

Thatcher clone; the socialist film director whose principles have sunk to the level of his beer gut. Apart from the agency secretary, all the characters range from the very to the totally obnoxious and their awfulness can hardly full

Still the writing is spot on, the plot daft and devious enough to prevent tedium. Robin Soans, as the sold out political commentator, Jim Carter, as the film director whose soft heart just about whose surf neart just about redeems his apostasy and Lorna Heilbron as the Tory Delilah, make the most of the meatiest roles and of Michael Attenborough's speedy

Antony Thorncroft

Handel's 'Flavio' revived in Monte Carlo

undertones" is Winton Dean's descrip-tion of Handel's Flavio, produced for a few performances at the King's Theatre in the Haymarket in 1723. Though it in the Haymarket in 1728. Though it has been seen in our day (at Abingdon for example), Plauto has not featured prominently in the post-war Handel revival. The mixture of satirical comedy and tragedy may worry historians wishing to categorise, but it did not noticeably displease last week's anti-ence at the Salic Barnier, Monte Carlo, where Plauto was the constitution. ence at the Salle Garnier, Mouse Carlo, where Flavio was the operate attraction of the "Printempe des Arts". Festival — mainly concerts and star recitals. Perfect material indeed for a apring evening in this opulently intimate theairs — three acts of widely varied arias depicting a sequence of painful or absurd predicaments, more evenly distributed than usual with Hondel between the principal voices. Handel between the principal voices.

The original London cast, including Cuzzoni, Durastanti and Anastasia Robinson, was starry. The interna-tional team chosen by René Jacobs, the

conductor and baroque specialist, was notexactly starry but, more important, very good; expert at negotiating the stream of melody with begulling case—finent, light and expressive Handel singing with finely judged decoration. There were two accomplished countertenors from the US, Jeffrey Gall as Fiavio King of the Longobards (one of his problems was to provide a governor for Britain, whose subjection to Dark Age Lombardy seems to have been ignored. Britain, whose subjection to Dark Age Lombardy seems to have been ignored by history books) and Derek Lee Ragin as Guido, son of the counsellor Ugune. Lena Lootens impressively sustained the chief soprano role of Emilia, who has a fine run of arias as she laments her fate — Guido, the man she loves, urged on by his father who has been, he thinks, mortally insulted, has alain Emilia's father. The breeches role of Vitige, Flavio's deceitful friend andrival in love for Teodata, was stylishly done by Christina Högman, who has done by Christina Högman, who has the enviable gift of keeping still. The dark, grainy contralto of Gloria Bandi-telli as the much desired Teodata made

(42651278). Musée d'Orsay. The Fragmented Body. Parts of the human body, or the incomplete body form the leading strand of an exhibition beginning with ex-votus and reliqueries and culminating in a celebration of Degas, Bourdelle, Maillol and especially of Rodin, with his masterly transition from realistic to abstract sculpture. Ends June 3, closed Mon, entrance Quai Anatole France (40444514).

effective contrast with the two sopra-zes. The tenor and bass roles of the two counsellors, Ugone and Lotario, were taken by Gianpaolo Fagotto and Ulrich Messthaler. Christian Gagneron's good-looking

production was tactful alike in scenes of courtly banter and flercely erupting passions. Thierry Leproust's architec-tural sets, silently changed in the twinking of an eye (if only other theatres could do likewise), and outstanding costumes by Claude Masson,including a superb cloak for the ostentations sova supero clock for the oscentations sovereign, were a bonus. The opera has been enjoyably recorded by the same conductor (with the Ensemble 415 — Chiara Bianchini in place of the Concerto Köln heard at Monte Carlo) and identical cast (except for Bernarda Fink as Teodata) by Harmonia Mundi France on 901312.13, 2 CDs. Flavio, already seen at Innsbruck last August, will be repeated at Caen and, in a concert version, atBeaune in Burgundy.

One of the Festival recitals was given

Centre) by Grace Bumbry, with Jonathan Morris at the planto. Groupe of Brahms, Fauré and Strauss were tact-fully underplaned with arias by Spon-tini (La Vestale), Massenet (Hérodiade) tim (La Vestule) Massenet (Hérodiade) and negro spirituals. The voice has a metallic ring now but the power is kept in check, even in composers like Fauré for whom is really too heavy, by almost sculptural phrasing. Not all the songs responded as well to the highrestment as Brahms's "Von ewiger Liebe" and Straus's "Die Georgine." Of the arias, "O nume tutelar," the line moulded with grave authority, was even more winning than the pleading "Il est doux, il est bon." Not for the first time the mezzo aspect of Bumbry's art pleased more than the soprano. As a final more than the soprano. As a final encore the Seguidilla from Carmen, scaled to the segmental from content, scaled to the arena at Verona where the artist will sing the role this summer, was sultry-humorous, aggressive and vital.

Uchida's Bartók

PERTIVAL HALL

On Tuesday Mitsuko Uchida precise, so true of focus, and so played the Bartók First Con-certo with the Philharmonia under Eliahu Inbal. The planist's free-spirited approach to music of all periods is one of the joys of current concert-go-ing; and her Bartok, following recent Uchida performances of Schoenberg, Ravel, Schumann, and Debussy (whether chamber-music or solo, "live" or recorded), offered further proof if any were still needed — that her artistic horizons are limitlessly wide.

It was a reading of extraordinary concentrated strength. Miss Uchida's projection, alike Ronald Crichton in passages stampingly loud and whisperingly soft, is so

removed from Bartok's pounding ostinatos all danger of the ely mechanical. Above all, there was a feel ing of taut, unsentimental poetry about the solo playing which the Philharmonia wind

ready in application of tone-colour, that details can be made to tell without any reli-

ance on the more obvious Bar-

tokian atmosphere-creation

devices. The rhythms were delineated with cat-spring exactitude; witty, teasing tricks were played with metre and accent in a way that

whose newly-restored partner-ship with the Philharmonia is plainly a Good Thing for all concerned, drew brightly ener-getic playing all evening. Kodály's Dances from Galánia (distinguished by Michael Col-lins's coolly elegant clarinet soles) and the original version of Petrushka (in spite of some rather flawed trumpet work) completed an exhilarating programme: in orchestral terms

and percussion answered quite brilliantly - Miss Uchida is obviously a pleasure to partlisten to.
Inbal, a solid professional perhans the final degrees of maginative engagement were

ner, quite as much as she is to

missing, but not much else. Max Loppert

ARTS GUIDE

EXHIBITIONS

1995 Be

The Tate Gallery. The entire permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored gal-leries, from 16th century British painting through to the the most recent of modern international art. It is a curatorial triumph.

Grand Palsis. Soliman Le Magni-fique. A treasure trove of gold-smiths' work, miniatures, caramics and textiles recalls the ics and textures recause the splendour of the reign of Soliman "the shadow of god on earth", whose Ottoman Empire stretched in the 16th century from the Caucasus to the gates of Vienna and from Algeria to the Persian Guil. Deep bine, red and green, pat-terned with gold shines from a portrait of Soliman. Ara-besques wind and unwind in manuscripts, flower motifs combine with peacocks and drag on blue, white and turquois plates and dishes. Closed Tue, Wed late closing, ends May 14

Musée d'Art Moderns. Retrospec-tive of the Belgian abstract/ex-pressionist artist Englebert van Anderlecht (1918-1961). Closed Monday, ends May 18. Hotel Communal de Schaerbe Place Colignon - treasures of the commune. Works by Con-stantin Meunier, Jef Lambesur 1860-1949. A retrospective of 100 stantin Meunier, Jer Lambani's and other Brussels artists of the 19th and 20th centuries, daily except holidays. Ends June 11.

lsy Brachot, Portrait of the Pacs gallery of New York. Calder, Dubuffet, Picasso, Rothko and others. Ends June 23.

Mends June 23. paintings, 130 drawings and etchings brings to mind Ensor's pro-vocative boast of "I am mad, I am stupid, I am nasty". Born in the land of Jerome Bosch and brought up in Ostend in a shop of sesside souvenirs full of carnival paraphernalis, he peoples his nightmarish universe with Musée Wellington-Waterloo. Inedits sur Waterloo commen skeletons and grimacing masks. Closed Mon, ends July 22 rates the 175th anniversary of the Battle of Waterloo. Daily,

-cools July 81.

Museum voor Schone Kunsten. Flemish Expressionism in a Ruropeen Context (1900-1930) with works by De Smet, Ecnst, Per-meke, Van den Berghe and Zad-kine. Closed Monday, ends Juve 10

Palazze Grassi. Andy Warhol Retrospective. 250 works from the major exhibition organised by Kynaston McShime for the Moma in New York last suring, to which have been added about a dozen from private Italian collections. Opening with Dick Tracy (1990) and closing with Warhol's version of Leonardo's Last Suprer. compléted shortly (4044514). Grand Palais, Pre-Columbian art in Mexico (1500BC — AD1521). Some 130 exhibits from Mexico's archaeological museums bear witness to the high degree of artistic development of the ancient civilisations of the Mayes and Aziecs. A deep religious sense imbues their imaginary world peopled with divinities often represented as jaguars and serpants. Closed Tue, late closing Wed. Ends July 30 (42895410). Last Supper, completed shortly before his death in 1987, the exhi-bition concentrates on the early works, 1980-1987. The famous Marilyn, Liz, and Coca-Cola series are shown to excellent effect in a particularly skilful layout by Gas Anlanti, in collabo-ration with Pontus Hulten. Until May 27.

Rome Braccio di Carlo Magno in Piezza San Pietro: Michelangelo and the Sistine Chapel. This exhibi-tion marks the end of a 10-year thin thera's the can't a to'you's etint by Vatican restorers on the celling of the Sistine Chapel and the beginning of four futher years' work on The Lest Judg-ment. Remarkable for exceptionally generous opening hours any generous opening hours (open every day except Wed and on Sat from 9.30am to 11.00pm) and handsome catalogue, as well as a rich collection of drawings

by Raphael, Rubens, Annihele Carracti, showing clearly Michel-angelo's powerful influence, the exhibition also carefully docu-ments the techniques used and the difficulties encountered by the resturer Particularia Interthe restorer. Particularly interesting is the 1541 copy of The Last Judgment, by Marcello Ven-usti, lent by the Capodimonte Museum in Naples, showing the brilliance of the original colours Ends July 10.

Kunsthalle der Hypo-Kultur-Stif-tung, Theatinerstr. 15. Joan Miro a collection of scurrilous sculp-tures and previously unpublished drawings by Miro will be on dis-play in Munich's Kunsthalle until June 17. There are about 130 examples of the work of the Spanish surrealist artist, who died in 1983 at the sea of 90 died in 1963 at the age of 90. Saarbrücken

Moderne Galerie. Growing on the Move. Retrospective of Paul Kles (1879-1940) in honour of the 50th anniversary of his death with around 190 oil paintings, watercolours and drawings from all periods, to be seen until May 27. This is one of the most com-mentation Whee archibitions ever prehensive Klee arhibitions ever

The proper security and the second security and the second second

Kunstsforum. Works by the Romantics, ranging from Caspar David Friedrich to Adolph Men-

Museum für Volkerkunde has a marvellously exotic axhibition called Jemen, focusing on the world around the Queen of Shebs. Ends June 10.

New York

New Yes Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

National Gallery. A Joint Soviet.
American collaboration brings
together Matisse's fruitful and
arguably pivotal work in
Morocco during his visit in
1919-16 including 28 paintings
and 45 drawings, among them
the famous Moroccom Triptych
from the Puchkin Museum, nexue. from the Pushkin Museum, a before exhibited in America. Ends June 8. National Museum of African Art. The national tear of artistic

Ends Aug 26. National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink includes 60 culptures and 25 drawings, including monumental bronze casts of male figures, portraits and animals in characteristic roughly textured heroic poses.

and religious objects, much of

Chicago

Chicago Historical Society. The Land of Lipcoln does its most famous citizen proud in the exhi-bition A House Divided, America in the Age of Lincoln, with docuentos and personal a Great Emancipator. ments, mementos and persona effects of the Great Emancipat Chicago Historical Society. A

special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details complete the Wright look, Ends June 17. Tokyo

Tokyo National Museum. National Treasures of Japan. Painting, sculpture, calligraphy, craftwork, archaeological arte-facts, from prehistoric times to the Edo Period. This is the first opportunity in 30 years to see as many as 200 of Japan's greatest works of art in one place. National Museum of Western Art. Bruegel and Dutch Land-

Art. Brueges and Durch Land-scape. 58 paintings on loan from the National Gallery in Prague. The contrepiece is Pleter Bruegel the Elder's magnificent Haymak-ing, with its wealth of circum-stantial detail, and the focus is on the development of leaders. on the development of landscape painting as a genre from its beginnings in 1500 to the mid 17th century. Identity Museum. In Pursuit

of the Dragon: Tradition and Transition in Ming Ceramics. Major examples of Chinese porce lain drawn from the museum's own extensive collection. Shoto Museum, Shibuya. Postwar Japanese Art. Paintings and sculpture mainly by mem-bers of the Gutai Bijutsu Kyokai person to the tribal by the a dis-tinctive Japanese avant garde style. Fascinating. Megure Art Muscum, near Megure striton. The Kelmussier

Meguro Art Musettin, hear Meguro station. The Kalmweller Collection. Major works from the personal collection of the art critic and dealer who pro-moted the work of Picasso, Bra-que, Gris and other pioneers of Culism.

SALEROOM May 4-10 Cold wind of reason The salerooms in New York

are this week rediscovering Newton's law of gravity that what goes up must come down. Contemporary art, mainly the output of the post-1945 New York school of abstract expressionists, enjoyed a sudden price surge for two years, culminating in extraordinary prices in New York last November. Now the reaction has set in.

On Tuesday Sotheby's made \$55,874,500 (£33.5m) from its offering of 83 lots but by valu 31 per cent was bought in, and the auction did not reach its forecast. Obviously vendors were still expecting the price levels paid last year. Instead bidding was more cautious.
The clearest indication of the

cold wind of reason was shown in the prices paid for Willem de Kooning. Last November "Interchange" by this Dutch born American artist topped \$20m (£13m) a record for a work by a living artist. On Tuesday Sotheby's was hoping for up to \$12m for his "Woman as a landscape," a key work of 1954 which reflected his evolution from figurative abstraction to the later "landscape" paintings. It was unsold, with the bidding stopping at \$4.75m,

half its low estimate.

"Palisade," an early "land-scape" abstract of 1957, did sell, for \$7.15m (£4.8m), to the dealer Richard Gray, but the price was under its low esti-

mate. Obviously de Kooning went too high, too fast, and Sotheby's and sellers misjudged the depth of demand. As Lucy Mitchell-Innes of Sotheby's pointed out, before the eby's pointed out, before the \$20m paid for "Interchange" the auction record for a de Kooning had been just \$3.63m. She also highlighted the precipitous growth in the contemporary art market in New York which in the five years up to 1989 expanded twenty fold, from \$13m to \$250m.

One of Francis Bacon's "Popes" sold for \$5.5m (£3.3m), at the bottom of its estimate, while his 1968 portrait of his friend, the artist Lucian Freud. actually exceeded its high estimate at \$3.63m (22.2m). There was a record for Cy Twombly of \$5.5m (£3.3m), paid by a Japanese dealer for "Untitled," an oil and crayon of 1971, and also, among ten artist records, new highs for Morris Louis; Frank Auerbach; Helen Frankenthaler, and Larry Rivers. Twelve paintings topped \$1m and at least there was still strong Japanese interest in a field long dominated by new rich Americans.

The contemporary sale at Sotheby's, following on a very similar experience by Christie's on Monday, suggests that the key impressionist and modern picture auctions next week will be tense affairs.

Antony Thorncroft

A triumph for common sense

THE latest proposals for VAT administration are a small step for the European Commission, but a giant step for the Community. For they should allow the disappearance of fiscal checks at the frontier, at least as far as VAT is concerned. One of the prime symbols of the completion of the internal market would thus be

The proposals, described as transitional, build on the cur-rent VAT systems of the EC, which are based on the "desti-nation" principle. At present, therefore, the rate of VAT depends on who buys the prod-uct Exports are separated uct. Exports are zero-rated, with VAT levied on imports at the rate of the country of

importation.

The question has been whether it is feasible to continue with such a system, when there are no checks at the border on whether goods are, in fact, exported. The pro-posals advanced by the UK Treasury in September 1988 stressed that "frontier barriers cannot be removed in one go".

The Commission's present

proposals, which have now proposals, which have now received the endorsement of Her Majesty's Customs and Excise, go well beyond this. Mrs Christiane Scrivener, the Commissioner responsible for fiscal policy, suggests that all border controls over VAT transactions should be abolished from the beginning of 1993. None the less, the current VAT system, based on the destination principle, is to be retained, at least until 1996.

U-turn

Both the Commission and the British Government have now welcomed a combination that they had previously con-demned as unworkable. For the Commission had insisted mon a prompt change in the VAT system to the "origin principle", while the British Government was determined to

maintain border checks.

The approach of 1993 has, like hanging, concentrated the mind. Suddenly the Commission has discovered that fiscal frontiers can be abolished without a character in the hade. without a change in the bests operation of the VAT system; while the British Government has discovered that the new system can be policed without checks at the frontier.

Instead of such checks, there are to be fiscal co-operation and risk-based audits within each country. Companies would have to supply monthly information on the total value of exports and imports within the EC, while large companies would have to complete a monthly form requiring 10 fur-ther pieces of information.

Basis for agreement

Customs and Excise say they are content with this simplified system. Why then have they insisted upon those annoying border checks and the accompanying documentation? But panying documentation: but the mouths of gift horses should not be examined too closely. For the new proposals are, France permitting, the basis for agreement at last. Unfortunately, the Commis-sion has not abandoned its

sion has not abandoned its desire for the "origin principle" to be accepted. It now wants such a system to be introduced by the end of 1996. If, however, it is possible to abolish fiscal checks while retaining the present VAT system, there seems to be no reason — other than bureaucratic tidy-mindedness or ideological fixation—for insistence on a prior confor insistence on a prior com-mitment to quite another sys-

The current proposels do not resolve everything. The thorny question of VAT rates remains, While the Community's origiwhile the Community's drigi-nal proposals for VAT harmon-isation were illogical and unac-ceptable, there is a case for agreement on minimum rates, as the Commission now sug-gests, though perhaps that agreement could be limited to those members particularly vulnerable to tax erosion due to cross-border shopping. to cross-border shopping. Excise duties are equally troublesome. Here the perfectly understandable insistence on widely different rates, largely for reasons of public health, would make unlimited crosborder shopping unacceptable. The Commission is to be constatulated on coming up with

The Commission is to be congratulated on coming up with practical suggestions to achieve one of the most symbolically important goals of the entire internal market programme. It is a pity that it is not matched by an equally pragmatic acceptance, not least in the UK, that border controls on the movement of people can on the movement of people can also be dispensed with.

Whose pension surplus?

THE question of who owns a pension fund surplus may be an old chestnut for pensions lawyers, but it resolutely refuses to go away. Pension refuses to go away. Pension fund contribution holidays are still the subject of acrimonious argument between management and unions — witness the row over British Telecom's decision to suspend payments into its staff pension scheme last year. And there has been a number of cases in recent months where the courts have been required to deal with the treatment of surpluses in pentreatment of surpluses in pen-sion schemes of companies that have gone to the wall. If anything the judges have con-tused rather than clarified the general issue, while showing a tendency to regard what is left in a fund after defined benefits have been paid as belonging to

The most recent case in point concerns the pension fund of Richards & Wallington Industries, a plant hire group which went into receivership which went into receivership in 1981. The judgement here is likely to apply only in very rare circumstances because of the flawed nature of the particular trust deed. But part of the underlying reasoning, which echoed earlier judgements, was that an employer who pays for the cost of pension benefits over and above the employees' fixed contributions should be entitled to any surplus because it represents an overpayment by the employer.

Deficiencies

At first sight the argument appears plausible enough. If the company provides a guarantee of solvency and tops up a pension fund when it runs into deficit, entitlement to any pension fund surplus might seem a fair reward for risk. Yet employers rarely undertake a legal obligation to make good a deficiency. In practice many simply allow deficiencies to persist from one actuarial valuation to another until, say, a favourable change in investment returns corrects the shortfall.

There have, admittedly, been some big payments by employers into funds in the past. But companies were quicker in the 1980s to take advantage of surpluses through contribution bolidays than they were in the mid-1970s to meet deficiencies with hard cash.

More fundamentally, the idea that a surplus derives from overpaid employers' contributions is open to question. The huge surpluses that accumulated in British pension funds in the 1980s reflected the funds in the 1980s reflected the fact that the average pension fund's investment income rose faster than prices or wages. In the end the argument boils down to another old and related chestnut whether pensions the second that the second the second that t sion benefits represent deferred pay or a paternalistic hand-out from an investment trust that is increasingly regarded as a profit centre for the company.

Paternalism

In cases where the courts have to decide how to treat pensions in calculations of damages payable to individu-als, judges almost invariably opt for the deferred pay approach. With the pension schemes of companies in liquischemes of companies in inquidation, paternalism tends to prevail. It seems doubtful whether people who regard the money as part of their pay package would voluntarily choose such paternalism if it were presented to them in its true column and if the companies in the companies of the paternalism is true column and if the companies is the column and if the companies in the compa true colours. And if the commercial logic of running a pen-sion scheme is to attract and retain employees, this is surely not the way to do it.

Many pension consultants, meantime, would prefer to get away from arguments about who owns which bit of the fund and concentrate on protecting the fund to secure the members' benefits, which is what a good trust deed should anyway set out to do. To that extent, the present Social Security Bill, with its proposal for independent independent trustees and cost of living increases for benefits up to a celling of 5 per cent, is a step in the right direction.

But with inflation close to double figures again that is no panacea for those whose employers prefer to comply with the minimum required by law rather than best practice. And in the absence of a clearer legal framework, the growing squeeze on corporate sector liquidity is sewing the seeds of trouble later in the decade. Gradualism, it seems, is the guiding motto of those who make policy on occupational

ECONOMIC VIEWPOINT

omorrow is Black Pri-

day, and the headline inflation rate will be

the worst item of eco-

nomic news, in populist terms, for the Thatcher Government since it took office. For the

combination of the poll tax,

higher mortgage rates, the Budget increase in excise duties and other lumpy

increases, such as local authority rents and energy and water charges, will take the annual increase in the Retail Prices

Index to its highest since 1982. Even if the headline rate falls just below the dreaded 10

per cent figure, the Govern-

Like most other forecasters,

it expects a sensational col-lapse in the headline rate of inflation to less than 5 per cent in the second half of 1991. This

is on the assumption that the Government will get mortgage rates down by 3 percentage points even if this means join-ing the Exchange Rate Mecha-

nism for the wrong reasons and in the wrong spirit. If the electorate is taken in by a stu-pid Retail Prices Index, which

makes counterinflationary poli-

cles seem inflationary, and inflationary policies look like sound money, it will deserve

of this paper show, there is strong sales resistance, expecially among small businessmen, to the idea that high interest rates are an appropriate weapon for reducing inflation. There is, moreover, a genuine paradox to explain. Economies with low inflation rates have low nominal interest

have low nominal interest rates, as a glance at any table

of either short-term rates or

bond yields, will confirm. There is thus implicit in a suc-

cessful orthodox monetary squeeze an extended sequence in which interest rates first

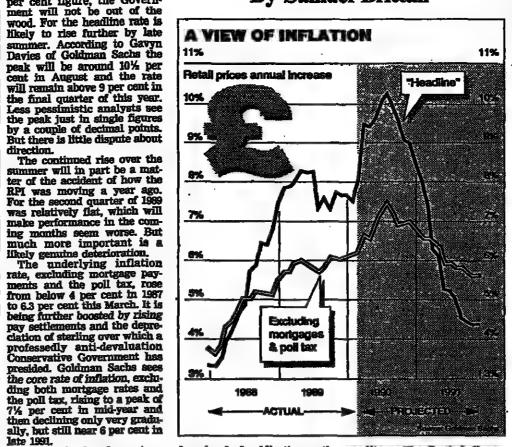
rise, then return to their original position and eventually fall back further - a sequence which is never explained to the

An article in the May Bank of England Bulletin, released a

s the letter columns

Dark day and after

By Samuel Brittan



day ahead of publication, enti-tied The Interest Rate Trans-mission Mechanism in the UE and Overseas, is a long overdue attempt to explain. It does not attempt to explain. It does not tackle the fundamental sequence I have just outlined. But it does argue that recent financial changes have made interest rates more effective

rather than less.

The bulletin authors identify several ways in which higher interest rates might affect

spending.

• 1. The relative cost of present and future expenditure changes. If you dater spending, whether on consumption or investment, you can spend more because of accumulated interest. If you insist on spending now, you spend less than if you had waited. This substitution effect is always pro-saving and anti-spending. and anti-spending.

2(a), Higher interest rates squeeze the income of borrow-ers and increase the income of

creditors. The Bank believes that the net effect is restric-tive, because borrowers have a higher propensity to spend.

2(b). Higher interest rates reduce the value of meta such as houses, equities or government stock. The resulting wealth effects reduce spending, especially in the personal sec-

• 3. A rise in interest rates sustain the exchange rate at a level higher than it would otherwise be. This will not only hold down import prices, but more important in the medium form a reduce the growth of term - reduce the growth of pay and other costs among exporters and domestic businesses competing with imports. This last aspect is not emphasised nearly enough by the Bank.

Channels 2(b) and 8 have been far the most important ones. As the Bank points out, a restrictive infinence along any

4th quarter	8th quarter	12th quarter	12h quarter**
-0.4 -0.5 -1.3 -0.1 0.5	4444 444 444 444 444 444 444 444 444 4	-0.9 -1.2 -2.8 -0.5	-1.0 -1.1 -8.2 -1.0 -0.7 -1.1
nio tree			1.5

one of them produces secondorder effects on activity. Thus they become merged in prac-tice.

Some of the most important reasons why interest rates now hite more deeply spring from financial liberalisation and the easier availability of credit, especially for house purchase, together with the greater confidence in the economic future, prevailing during most of the 1980s.

Increases in the numbers taking on mortgage debt, in the ratio of loans to income, and in the proportion of purchase price covered have all increased debt servicing costs. First-time buyers are particularly vulnerable, as the proportion of disposable income required for debt servicing has risen from 20 per cent in 1982 to 26 per cent in 1987, and 38 per cent in 1989, in the London area the debt servicing burden is 40 per cent.

Moreover, it is mainly the younger households with the greatest propensity to consume which are the largest net debt ors. Positive net financial wealth is found on average only among the over-50s.

The increase in debt servic-ing has made the personal sec-tor more vulnerable to interest rate increases - which are rate increases — which are thus more politically unpopu-lar. It has also brought nearer the point at which both bor-rowers and lenders besitate to take on more credit for pruden-tial reasons.

The bulletin's formal model is much less impressive than its description and account of magnitudes. After years of playing down interest rates, the model now allows them a big impact on demand, output and activity. But the identified feed-through from reduced activity to lower pay and price rises is extremely weak.

The simulation shown in the table shows the headline RPI actually higher two years after

an interest rate increase, and no lower even after three years. The impact even on underlying inflation (shown by the GDP deflator) is delayed and modest. It only becomes important when exchange rate effects are taken into account. The wrong way to read the Bank of England simulation is to say that sterling must be to say that sterling must be allowed to go where it will with no EMS or other constraint. This would be to ignore the experience of other European countries. The correct reading is that tight money prevents sterling from falling when otherwise it might. If sterling is held stable against a group of non-inflationary currencies, there is no way in which the prices of UK traded goods and services can pursue for long an inflationary course, misinterpretations of shadowing the Mark not withstanding.

The Bank authors try in one passage to play the relation-ship down by pointing to the non-traded service sector non-traded service sector where cost pressures, have been most severs. But this is to assume that the economy is divided into rigid compartments and that wage costs can be held back in manufacturing while continuing to soar elsewhere. No doubt in a couple of years sectoral linkages will be more fully taken into account in the Bank's model, which, like all such models, eventually catches up with eventu.

BOOK REVIEW

The survival of the fittest

he past decade has seen much inconclusive soul-searching in the US about "national competitiveness", as one industry after another has lost ground to foreign rivals. More recently, echoes of the debate have spread to Britain, where disenchant-ment with Thatcherite freemarket nostrums has led to calls for more dirigiste policies. But what is national compet-But what is national competitiveness — and how is it created and sustained? This book, by an American economist turned management guru, picks the right target a country's capacity to raise living standards by continuously improving productivity in the output of ever more sophisticated goods and services.

That objective cannot, Michael Porter says, be achieved simply by virtuous macroeconomic policies, still less by currency depreciation. Nor do abundant natural resources

abundant natural resources and cheap labour any longer guarantee national advantage. Their role has been devalued by advances in technology, communications and capital mobility, which have opened markets to wider international

markets to wider international competition.

That does not, however, condism compenies worldwide to compete on the same terms. On the contrary, Porter maintains that globalisation sharpens national differences. Hence, countries' prosperity will depend increasingly on how efficiently they exploit the narticular and distinctive particular and distinctive strengths with which they

have been endowed by history, circumstance or aptitude.

Porter argues that this process — and the reasons why countries excel in some types of business but not others — can be understood only by examining the micro-according.

can be understood only by examining the micro-economic environment in which individual industries operate.

His thesis is that the essential mechanisms for creating competitive advantage form a "diamond", representing the interaction of four determinants. These are the ability of countries and industries to ensist factor advantages — and overcome disadvantages — by upgrading investment, research and skills; the quality of demand on the home market; the proximity of competent suppliers and "clustering" by closely-related industries; and the intensity of local competition.

This is carreed a revolution-

ary insight. Many studies of Japan have stressed the bene-fits its export industries derive from a highly-educated labour force, discriminating consum-ers, inter-locking supplier rela-tionships and the discipline of flerce rivalry between domestic

producers. However, Porter has sought to test his argument systemati-cally by correlating it with a wide range of industries in 10 countries. Taking world export share as his benchmark, he concludes that in successful

THE COMPETITIVE ADVANTAGE OF NATIONS By Michael E. Porter The Free Press. £25

sectors as diverse as Italian tile-making, US medical equip-ment and Japanese robots, the points of the diamond have all strongly reinforced each other. Conversely, he finds that industries where his determinants are weak have generally lost market share.

The operation of the diamond is closely linked to coun-

mond is closely linked to countries' economic development.
This, in Porter's view, follows a progression from initial reliance on basic factors, such as low costs, through an "investment-driven" phase, to dependence on innovation as the main competitive weapon. Beyond that point, failure to continue upgrading national advantage brings "wealth-driven" decline — ie: the Brit-ish disease of living off past

comomic achievements.
This leads Porter to some rather prosaic prescriptions. Britain needs to improve research and education while continuing to deregulate mar-kets. The US needs to redis-cover the traditional values of individual initiative, competition and long-term investment. And so on.

And so on.

He is emphatic, however, that the driving force for progress must come from the market, where only the pressure of relentless competition compets companies competitive advantage. He is correspondingly scornful of mergers, alliances and direct government intervention in industry, which he views as

government intervention in industry, which he views as largely anti-competitive.

But he may overstate his case by insisting that successful companies need a national "home base" built on domestic—as opposed to international—rivalry. In many European countries, fielding even one home arrows contender in countries, helding even one home-grown contender in scale-intensive industries such as serospace and public tele-communications manufacturing is becoming a challenge.

Furthermore, the economic tension of matienal from ruthermore, the common importance of national frontiers is called into question by Europe's plaimed single market. By Porter's standards, Ford of Europe, with no obvious "home base" country, should be in trouble. Yet it has

often out-performed its US par-out and looks better placed that many local rivals to com-pets effectively after 1992. message, that competitive advantage is won through an intense Darwinian struggle by individual companies, is refreshing. This book should give pause for thought, at least, to those in the west who think the enswer lies in megamergers, government intervan-tion or beahing Japan.

Guy de Jonquières

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investment GDP deflator

Retail price index Average carnings Effective exchange rate

plans

Holiday

wants to hit the 1992 deadline, it might do well to harmonise holidays. In the past fortnight it has been hard to get all 12 round the table at once. The Monday before last the Dutch celebrated the birthday of Queen Beatrix, Tuesday it was I about Day in most pieces. Labour Day in most places, last Monday counted as May Day in UK, and the following day the French took off to cele-brata the end of the war. Yesterday, when everyone else was back at work, the Commission downed tools in honour of the Euro-ploneer Robert

Although there will be a brief chance to get something done today, by Friday the Danes will be staying at home again for a General Day of Prayer. Altogether there are 35 days a year that are a holi-day somewhere in Europe, and only two, Christmas Day and New Year, are celebrated by everyone together.

It may be out of embarrass-ment that the Commission has not brought forward a days off directive - the Euro-institutions take more holidays than anyone, and cannot even agree among themselves which days to take. The Commiss declines to work on Maundy Thursday, whereas MEPs will work then, but insist on playing on Carnival Monday.

Moving up

Gene Lockhart's promotion to chief executive of UK banking at Midland Bank at the tender age of 40 singles him out as a candidate for a top slot in Midland's merger with the Hongkong Bank, if and

when it comes off. Lockhart is very much an buisider at Midhard. An American information systems speclalist, he has never made a loan in his life. (His qualifica-tions are in engineering and accountancy). His crisp, some

would even say abrasive, man-ner also jars with much of Mid-land's homelier clearing bank

Bunk Model Simulations

But he was hand-picked by Sir Lit McMahan shortly after he took over as chairman in 1987, and he has reportedly made a big effort recently to cultivate relations with Midcultivate relations with Mid-land's staff and customers. His strong belief in the importance of a good back office also lik-ens him to John Reed, the chairman of Citicorp — with whom he shares boyish looks. The betting on Midland-Hongkong is that the two banks will form a joint holding company with Sir Kit as chair-man and Willie Purves, Hong-kong's chairman, as chief exec-utive, in about a year's time.

utive, in about a year's time.
Lockhart could then become
chief executive of the Midland
bank itself. But, characteristically, the hard-driving Lockhart was too busy yesterday to talk about his appointment.

The Mousetrap

The intense rivalry between the new \$630m Universal Stu-dios theme park in Orlando, Florida, and its wellentrenched Walt Disney rival, has taken a macabre, and bloody turn. Opening next month is a spectacular Universal attraction based on the film Jaws. As tourists ride by, a 24ft mechanised shark snaps up a pleasure boat. Among the body bits, tee shirts and other flotsam that rise to the surface of the artificial lagoon is a pair of Mickey Mouse sars.

Unarmed

■ Should Lego men carry guns? The question is causing some debate at the secretive Danish company that makes one of the world's best selling toys. Lego started making wooden toys in 1932 and since



"How can we be sure it works if it hasn't got anything to detect?" the 1940s, when it branched into plastic construction

bricks, has never looked back. It is now one of the world's top seven toy companies but unlike most of its rivals it shuns men of violence. Its first plastic man appeared in 1974, and its unarmed armies of knights, pirates, spacemen and ambulance workers clamber all over the bricks and other Lego parts. Kjeld Kirk Kristiansen, the grandson of Lego's founder, says his family-owned firm sells nothing that depicts organised violence.

However, the rule does not apply to Lego's pre-20th can-tury models on the grounds that any offensive activity by these people can be thought of as romantic. "What would a black knight be if he did not carry a lance or a sword ?" asks Mr Kristlansen.

Judging by the 25 per cent jump in Lego's pre-tax profits last year, there seems no pressing financial reason why the company needs to boost sales further by giving the Lego men guns. Nevertheless, there are

tell-tale signs that the ceasefire may not last much longer. Recently, the company intro-duced a pirate cannon which fires a small projectile. "We had a lot of discussion about this," says Mr Kristiansen.

ally catches up with events.

Fighting fit

■ Lord Hanson is one of those businessmen who believes that the playing fields of England produce some of the country's best leaders. Yesterday, the best leaders. Yesterday, the Duke of Edinburgh, in his capacity as president of the Central Council of Physical Romanian, presented the boss of Britain's sixth biggest company, with the Arthur Bell trophy for making the biggest ever contribution to the development of community sport in Great Britain.

Hauson pic has promised Hanson.plc has promised

the British Sports Trust, the fund raising arm of the CCPR, 1400,000 to launch the Hanson leadership award. The money, equivalent to a quarter of Hanson's annual charity spend, will go to training young peo-ple to organise sports in youth clubs and other voluntary associations. It all sounds very worthy.

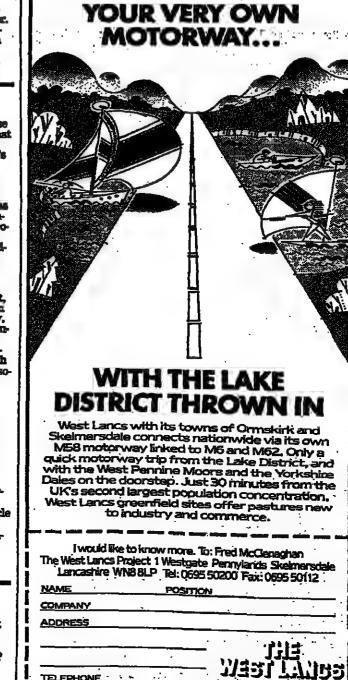
sport do not end with his cheque book. Peter Harper, Hanson's man on the British Sports Trust, says that if his employer thinks you are let-ting yourself go, he is not atraid of telling you. Mean-while, I hear from British Airways Lord King, that the 68-year-old Lord Hanson can cycle most quickly than him. But they never need be out of con-tact for long since their blks: are equipped with mobile phones.

But Lord Hanson's views on

Bad night

Did you hear the one about the dyslexic, agnostic, insom-niac, who lay awake at night wondering if there was a dog?

William Hall



TELEPHONE

makes membership of the

The recently-announced DM4bn acquisition by Stora, the Swedish-owned paper and pulp conglomerate, of the West German forestry products and engineering group Feldmühle Nobel is only the latest evidence of the trend Mona Swedish dence of the trend. Many Swedish companies are now con-vinced of the need to establish a strong presence within the EC in preparation for the single European market.

A recent study by Mr Pon-tus Braumerhielm of Sweden's Institute for Economic and Social Research found that the country's 40 largest companies planned to increase their EC investment substantially over the next three years. Between 1986 and 1988, the domestic share of Swedish corporate investment shrank from 83 per cent to 77 per cent, while the proportion going into the EC rose from 9 per cent to 14 per cent and is still rising.

According to one recent pre-diction# by Nordic economists, Swedish companies already produce about 45 per cent of their total EC sales within the Community, and the proportion will rise to nearly 60 per cent within 10 years.

impact on employment pat-terns. An estimated 62 per cent of the 923,000 people employed by Sweden's top 25 industrial companies work abroad, more than half of them in the EC. It has been estimated that last year alone, the companies' oversess labour force showed a net increase of 49,400, while net employment in their Swedish plants declined by 3,600. This development is expected to continue through the 1990s. So far, there is no sign that other hig Swedish companies are ready to follow Tetra-Pak, the packaging company, and IKEA, the DIY furniture group, and move their corporate head-quarters into the EC. But a

growing number have decided to establish financial oper ations there, notably in the Netherlands and Luxembourg. Of course, not all the important activity by Swedish companies abroad involves the EC. The electrical engineering company Asea chose Brown Bovert of Switzerland for a merger in the autumn of 1967, and Seab

Scania chose General Motors over Fist as a partner for the

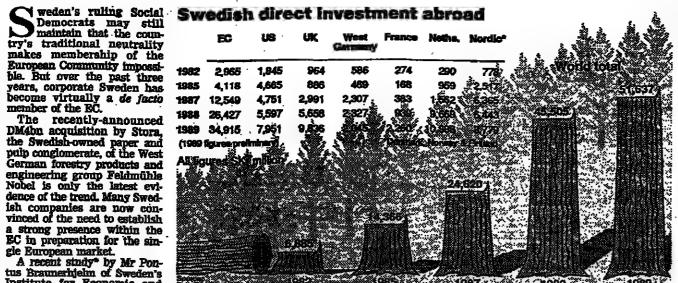
saving of its car operations. The largest acquisition by the mining group Traileborg last

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Robert Taylor on an outsider's EC offensive

Sweden comes in from the cold

year involved the Canadian-owned Falconbridge, while SKF acquired Chicago Raw-hide, and Electrolu bought Roper, America's large garden

equipment producer.

But statistics produced ear-lier this year by Translink European Deal Review found that of 120 foreign acquisitions made by Swedish companies in 1989, 23 were in the UK, 19 in West Germany and 16 in Den-mark. Only French, West German and American companies made more acquisitions within

the EC than Sweden.
Companies currently mounting EC offensives include:

Asea Brown Boveri, which in its drive to become a truly pan-European company has acquired ABG's West German turbine-making unit, and in Italy, boiler and turbine maker Franco Tosi as well as the state-owned Finmaccanica group in the past 18 months. It hopes to benefit strongly from the opening of public procure-ment in EC countries to com-

petitive tendering.

• Ericason, which although a global player in telecommunications, has its eye on the communications of EC coming liberalisation of EC communications networks and particularly on the lucrative man market.

● Volvo, Scandinavia's hig-gest company. It already has auto, truck and bus operations in the EC and has shown it intends to deepen its presence

 Procordia, the state-owned food processing and pharma-ceuticals company which acquired six European compa-nies last year (though not all were in the EC).

Trelleborg, the industrial company, which made seven

acquisitions.

PLM. Now Europe's fifthlargest packaging company with growing activities in Ger-many, it has expanded in the past two years by purchasing Redfearn, the British glass manufacturer and flexible packaging group, the Dutch-based Glasindustrie Dongen and a beverage can plant at

Toulon in France. Swedish industry's interests have been global ever since the country's late industrial revo-lution at the turn of the century. The domestic market in a country with only 8.4m people has always been too small for its main manufacturing companies. However, until recently overseas growth was seen as a complement to domestic expan-sion, and North America build to seen more attractive as a market then western

Now the picture is changing rapidly, to the undisguised anxiety of many politicians and trade unions in Sweden, who fear that the outward stream of corporate activity is turning into a flood. In 1989, for the first time, Swedish com-

panies spent more capital abroad than at home. And as the pace has accelerated, the focus has changed, with many companies drawing up pan-Eu-

ropean strategies. The determination of companies to create a stronger pres-ence within the EC stems from a deep uncertainty about Swe-den's future outside. There is great scepticism in industrial circles as to whether the cur-EC and the European Free Trade Association on establishing a "European Economic Space" will prevent discrimina-tion against Swedish industry within the EC. The companies most affected by this understandable fear of Fortress Europe are in pulp and paper, parts of the chemical industry

and engineering, But attitudes towards the EC are not just being shaped by pessimism about staying out. Many Swedish companies take a highly optimistic view of the gains to be made from the single property of the staying out. gie market. The nearer to the geographical centre their operations are based, they rea-son, the more likely they are to

One negative consequence of this, argues Mr Braumerhjelm, is that new technology will increasingly be invested in Swedish companies BC plants to the detriment of their domestic production facilities. tic reasons why an increasing number of Swedish manufac-turing companies wish to expand their activities into the EC. Employers' woes have become familiar: low productivity, high unit labour costs, the shortage of skilled labour, uncertainties over the future price of energy and tough envi-

ronmental control laws. Against this background, moving operations abroad looks like a form of escape. It has certainly been belped by the liberalisation of the financial system. As a result of the lifting of exchange controls from last July Swedish property companies, banks and other financial institutions can buy property abroad for investment purposes. Skandia, Sweden's largest insurance company, for example, recently made a SKr4.2bn real estate and construction deal in Lon-

don, Madrid and Lisbon. Until now the Swedish Government has taken a benign view of the tide of overseas investment. It remains commit-ted to freeing movement of capital, labour, goods and services as laid down in the EC's 1992 strategy. It is also determined to bring education, research and development and research and development and environmental rules closer in line with standards prevailing in the EC. Ideally Sweden's political leaders would like to see their country enjoy the eco-nomic benefits of an open Europe without paying a politi-cal price that would threaten its famous neutrality. This may prove difficult if the EC-Efta talks fail.

Sweden's big employers take a much more hard-beaded view of the future. The most influential of them, Mr Peter Wallen-berg, who has a family stake in a large number of the corpora-tions that are forging ahead with EC strategies, has never disguised his belief that Swe-den must become a full EC member the sooner the better. Mr Pehr Gyllenhammar, Volvo's chairman, has been more circumspect but his anointed successor Mr Christer Zetterberg wants to see Sweden inside the RC. Indeed, a con-sensus has emerged in Swedish manufacturing since 1987 that the country's future lies with

western Europe. Whether motivated by fear or hope, Swedish companies have made a rapid response to the challenge of 1992 in a remarkable range of industrial sectors. Clearly, their authorism for the EC amounts to more than ricetoric. more than rhetoric.
* Soenska Industrioretag infor EG 1992 by Pontus Braune-

Nordic Perspective by the Nor-dic Perspective Group.

A European Central Bank

Time is ripe for institutional change

By James Meade

he recent dramatic events in Eastern Europe have opened up a prospect of free market national economics spreading over the whole of the Continent. The situation cries out for some institutional changes which might integrate the whole of Europe - north, south, east and west - into a single continental market economy. It is an opportunity which will not repeat itself. The constituent members of any such grouping would be the European Community, the European Free Trade Association, and the eastern European countries as they transformed their centrally planned and controlled economies into free market economies. With this diverse group of countries the institutional bonds which might integrate their econo-mies would have to be of a rather loose character, at least in the first instance. It would, for example, be totally unrealistic to plan now for the rapid introduction of a single cur-rency to replace the various national currencies of all the constituent economies.

This raises an important problem. The countries of the EC already have arrangements for their single market and for other economic purposes which are much more strin-gent and detailed than would be feasible for many of the other European countries. Moreover, the EC countries plan to consider immediately the next stages proposed in the the next stages proposed in the Delors report to bring them to a complete monetary and economic union. There are, indeed, some very powerful arguments in favour of this programme, arguments which are much strengthened by the prospect of complete German reunification. The sorry history of conflict and war between France, Germany, Italy, Spain and Britain underlines the desirability of final integration. integration.

So the question arises whether there is any immediate institutional development which can integrate all the free market economies of Europe into an effective whole without prejudicing the simultaneous further and more rigid unifica-tion of the existing members of

the EC. It is suggested that this could be done by the institution of a European Central Bank of which all the free market countries of Europe could become members without any commitment to further economic and financial integra-tion but without any obstacle for any group of members to form a complete monetary and economic union among themselves. Thus the proposed European Central Bank should be regarded not as an alternative to the European Central Bank System proposed in the Delors report but rather as a development of that system. In

broad outline the arrange-ments would be an follows. The ECB would lend and borrow funds in terms of a new European unit of account which I will call the Europa. The central bank of each mem-ber country would be under an obligation to keep the value of its national currency in terms of the Europa at or near an agreed rate of exchange. The ECB would be set up in the first place by the payment into it of certain amounts of each member country's national currency in return for which each member central bank would hold Europa deposit lia-

bilities of the ECB.

The basic objective of the ECB would be to control the rate of price inflation by means of its control over the monetary policies of the members' central banks. If the rate of rise of prices throughout Europe, reckoned in terms of the Europa, was rising above a planned rate, the ECB would raise its structure of interest rates. To preserve the exchange values of their national currencies in terms of the Europa, the member cen-tral banks would have to fol-low suit and to raise their own rates of interest in terms of their own national currencies. The ECB would thus dominate the monetary policies of the constituent countries and could thus be made responsible for controlling the general rate of inflation or prices reckoned in terms of the Europa.

Each member country would be required to set an agreed target rate of price inflation for its own economy in terms of its

target rate of Europa price inflation needed to guide the monetary policy of the ECB would be set at an appropriately weighted average of these national target inflation rates. It is clear that at least for a number of years there would necessarily be considerable dif-

ferences between national target rates of inflation. In particular some of the eastern European countries might at first have to face comparatively high rates of price infla-tion, while the EC countries might well be bringing their inflation rates under strict control. Rate of exchange between the currencies of the high-infla-tion and of the low-inflation members would need to change. Such changes could be planned ahead to occur gradu-ally in view of divergences between a member's national rate of inflation and the agreed composite rate of Europa price inflation. By this means abrupt speculative disturbances could

be greatly moderated.

This general structure need in no way impede the formation of a full monetary union between the countries of the EC which planned to move in that direction. They would plan more and more uniform low rates of price inflation in terms of their national currencies, would as a result need less and less exchange rate variation between their currencies, and would eventually institute a single currency for their group of countries. Such a currency would then form one, but by far the most dominant, currency in the ECS.

It may be argued that one

cannot do everything at once, and that the formation of the ECB would divert attention from the further stages of building a full monetary union for the EC countries. But need it be so? After the Second World War we dealt with many things at the same time. May not the fluid state of affairs in Rurope present another occasion when we should be pre-pared to design a new institu-tional structure.

Nobel prize-utnning Professor

Meade is drafting a blueprint for a European Central Bank which the Liberal Democrats propose to issue as a discussion paper.

and the control of th

Europe.

The folly of closing UK's deep mines Failings of the

From Mr P.E. Heathfield
Sir, Your leader ("A blind
spot on gas imports", May 8)
could have compared the Government's policy on gas
imports with its policy on coal

forports.

Gas imports are restricted in favour of developing the smaller, marginal UK gas fields while coal imports are encour-aged in order to displace UK deep mine production.

Your argument is that the UK's gas fields should be tapped later, once the cost of gas has risen, because the reserves will still be there.

not be ruled out From Mr Eric Salama. Sir, Your suggestion ("Gov-

From Mr Tom Unickerith Sir, I thoroughly disagree with Mr Rory Montgomerie (Letters, May 3). Of course, there are alternatives to the current economic policy.

It would be possible, though embarrassing, for Mrs Mar-garet Thatcher to increase taxes. Why should high interest rates be the sole weapon against excess demand? How about replacing the community charge with a property-based

What about encouraging respect for professional values and long-term investment rather than wheeler-dealing and investment speculation? Tom Shucksmith, Gation Chalet, Quarry Hill, Park, Reigate, Surrey RH2

and conserve UK gas for later policy has some logic in terms of national energy security, though I must add that it makes no sense to flare off a premium fuel like gas in power

But a Leader Column in your influential newspaper should point out equally the folly of closing deep mines in Britain while imported coal is cheaper. To achieve the same policy in gas, the Government would have simultaneously to open the floodgates to imports and blow up half the UK's gas

fields to get rid of the reserves; for closing deep mines prema-

elected in 1979, seems unwilling to impose its will on the

lected chamber.

turaly destroys the remaining

The UK coal industry is close to becoming an andangered species partly because of the policy on gas but more now because the Department of Energy is insisting that British Coal close the 50 per cent of its remaining deep mines, which may show "negative cash flows" after financial recon-

P.E. Heathfield. Secretary, National Union of neworkers, Holly Street, Shaffield,

U-turns should War Crimes Bill must be enacted

ington, has investigated the matter and has found at least three people resident in the UK ernment measure at risk in Lords", May 4) that the Gov-ernment might abandon the War Crimes Bill due to opposiagainst whom a case exists; and the Commons has voted overwhelmingly in favour of tion in the House of Lords is legislation by 348 to 129. Why is a Government which extremely worrying - both morally and constitutionally. has been willing to overturn the view of the Lords on sev-The moral arguments in favour of prosecuting alleged war criminals, irrespective of eral occasions since 1979 now seemingly unwilling to do the same in the case of the War Crimes Bill? Your report that Lord Belstead is privately resigned to losing the Bill urless not from a constitutional impasse but from a Government which feels less strongly the time which has elapsed, have been well rehearsed and accepted in most other civilised countries. The point now, though, is that the House of Lords is seeking to make policy and that the Government, for the first time since it was ment which feels less strongly about prosecuting war criminals than it does about abolish-

The Director of Public Prose-

Sir, Samuel Brittan ("Bines" poll tax blues", May 3) notes that the figures released by Mr Michael Grylls MP violate Adam Smith's first maxim of

Adam Smith's first maxim of taxation, which advocates proportionality between tax payment and ability to pay.

However, the work that I have done from a survey by Cheshire county council shows that use of local services rises with income and therefore the poll tax falls to meet the benefit principle of taxation, whereby people pay in proportion to benefit received from public services. public services.

The survey shows that top erners (over £20,000) used 1.67 times more local services than those earning between £5.000 and £10,000 (in 1986-87). Designing a fair community charge which also accounts for the benefit principle requires a more than proportionate con-tribution by the better off.

The service use ratio implies that the "chairman" should pay at least 1.67 times as much as the "gasman". The ratio of relative earnings differentials to relative tax burdens in the figures cited by Samuel Brittan implies a ratio of unity. So the poll tax is also regressive and fails to act as a community

charge.
William Low,
Soular Research Pellow,
Local Government Centre,
University of Warwick,

And the second s billion reasons why investment here is such a good idea.

Of the billions of dollars invested by overseas companies in Ontario, Canada over the last few years, at least 9 billion of them belonged to British companies.

This is a massive vote of financial confidence by any standard and not the kind of money invested without very good reason.

The fact that companies in Ontario are located in the heart of a North American market of 275 million people and enjoy after-tax profit levels three times as high as the USA might have something to do with it.

Add to that a well-educated workforce and highly developed technological expertise and you begin to see the attraction, as productivity and quality control here are second to none.

But the real beauty of a place that experienced the world's fastest industrial growth between 1984 and 1988 is that economic development (700,000 new jobs in the last five years) has not been at the expense of the environment.

The Ontario wilderness remains vast and magnificent while cities like Toronto, the provincial capital combine a sophisticated international financial community with an enviable quality of life.

Over half of all venture capital raised in Canada is spent in Ontario by companies like Hillsdown Holdings, Allied-Lyons, Marks and Spencer and Hammerson.

These companies have already invested here because the advantages make it worth their while. Send for a brochure and see how we can make it worth yours.

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Warsaw Pact's collapse means Nato must deal directly with Moscow

ing the GLC. Eric Salama,

23 Carysfort Road, Landon N16

From Professor R.R. Neild. Sir, The statement in your editorial ("The quest for security", May 6), that there is little point in discussing a new European security structure at the CSCE meeting later this year, unless an agreement has first been reached on reductions in conventional forces, ignores the problems of reaching an agreement in Vienna now that the Warsaw Pact has collapsed. Since the Soviet Union has, in effect, lost its allies, negotiation to balance the numbers of weapons possessed by the two alliances have lost their validity. Comparison now needs to

be made between Nato on one

side and the Soviet Union

alone on the other.

This can be illustrated by the figures for tanks. The fig-ures for main battle tanks in the area from the Atlantic to the Urals, which have been the starting point for the negotia-tions, are: Warsaw Pact about 50,000, Nato 22,000, giving a Warsaw Pact superiority of more than 2:1. The proposal on the table is that each side should have 20,000, with a proviso that the Soviet Union should not have more than

12,000 out of the Warsaw Pact For the Soviet Union, 8,000 tanks - the quota for the rest of the Warsaw Pact - have gone west, metaphoricallyspeaking at least; and to con-changes in force levels within clude an agreement without a framework of east-west

The transfer of the control of the c

changing the basis of calcula-tion would mean accepting inferiority of 0.6:1 in place of superiority of 21. It is a tall order to expect Mr

Gorbachev to put that across to his military. There are two possible solutions: A change in the basis of cal-culation. This can be achieved by either a reduction in the to figures or an increase in

mitted numbers of tanks and other weapons. The abandonment of attempts to negotiate balanced reductions in arms in favour of a more relaxed approach based on making independent changes in force levels within

the Soviet figures for the per-

co-operation over political aims, economic exchanges and the introduction of confidencebuilding measures in the mili-

The choice needs to be based on a long view of the potential threats to European security and a clear understanding of the inevitability that arms negotiators and their supporting teams, conditioned to believe balance is good and inferiority is bad, will tend to pursue superiority and go for high levels of arms, with damaging political consequences, unless they are instructed to act otherwis Professor R.R. Nelld, Trinity College



FINANCIAL TIMES

Thursday May 10 1990



HOUSE OF COMMONS INQUIRY

Row resurfaces over sale of Rover

By Raiph Atkins in London and Lucy Kellaway in Brussels

A ROW surrounding the sale of Rover, the British vehicle group, resurfaced yesterday as a leaked copy of a House of Commons report fired specula-tion that the British Government was about to face further embarrassment over its han-

Meanwhile, in Brussels, Labour Party Euro-MPs called on Sir Leon Brittan, the compe-tition commissioner, to resign over his handling of the Rover Group case, accusing him of covering up for the British Government and dragging out the affair psedlessly.

Mr Alan Donnelly, secretary of the Labour group, said Sir Leon should "remember that he was employed as a Euro-pean commissioner, not as a British politician.

He should be administering European law and cracking

down on the sweeteners - not playing up to his former col-leagues in the Government."

A British newspaper article, based on a draft report by the cross-party Trade and Industry Select Committee, angered MPs because of the alleged contents – and also because of damage the leak may cause to future House of Commons' investigations.

The committee ordered a formal inquiry into the disclosure of parts of a report compiled by Mr Ken Warren, chairman of the committee and a Conserva-

According to the Guardian newspaper, the report con-demned the Government for misleading parliament by not disclosing £38m (\$63.5m) of "sweeteners" agreed with British Aerospace and for not informing the European Commission of the details of the

But committee members stressed its deliberations were at a preliminary stage. The final version - which is not expected to be released until after the European Commission publishes its report on the affair – could be substantially different, particularly given the flerce political controversy

surrounding the sale.

If Warren said The Guardian was "presenting statements as if they were decisions." He described the leak as "appalling" and said he would be writing to all the committee mem-bers, its staff and advisers asking formally whether they

ware responsible.

The opposition Labour Party tried to gain political capital out of the leak. Mr Gordon Brown, the Labour Party's spokesman on trade and industry, said "charges of subterfuge" and of misleading the House of Commons must be answered directly by the ministers con-cerned and the Prime Minister.

The Department of Trade and Industry said it could not comment on an leaked draft. Lord Young, former Trade and Industry Minister, said nobody had "the faintest idea what the committee's going to say" and attacked its disclosure as "an appalling condemnation of the standards of public life."

Mr James Cran, a committee ember and Conservative Party MP, said the Govern-ment had transfered to the private sector "a company which cost the British taxpayer 52km in infusions of money."

UK car pricing to be investigated

By John Griffiths in London

THE level of car prices in the UK — seen by consumer groups as being unfairly above those ruling elsewhere in Europe — is to be investigated. The investigation, by the UK Monopolies and Mergers Commission, will include the operation of the country's franchised dealer networks. It will also reopen an inquiry into the

reopen an inquiry into the market in car parts. Sir Gordon Borrie, director general of fair trading, said yesterday that the investigation followed expressions of concern by consumer associa-tions "that car prices in the UK are higher than equivalent models sold in certain other models said in Certain ciner-countries in Europe." A previ-ous inquiry into the 24bn (\$6.6bn) a year UK car parts market in the early 1980s, led to car makers and importers being banned from forcing their franchised dealers to buy mer franchised dealers to buy parts exclusively from them.
The announcement, which received a strong welcome from consumer groups, was met with dismay and denials of price-gouging from motor manufacturers and dealers. Shares in the UK motor sector were hit, with dealers and component groups recording falls of between 5 and 15 per cant.

between 5 and 15 per cent. eation would enable the commission to consider whether price differences were caused bution or other policies and, if

HOW NEW CAR PRICES COMPARE ACROSS EUROPE											
Car	Seigiom	Denmerk	West Germeny	Francis	U						
Audi 80 E	11,134	10,330		13,384	15,896						
Auetin Metro	6,507	4,762		5,856	9,041						
BMW 3164	10,396	8,926	10,919	11,071	13,218						
Citreon CX 22TRS	11,768	8,982	13,012	12,361	14,265						
Flat Tipo 1400	6,910	5,416	7,359	7,081	8,143						
Fard Orlan 1400	7,442		8,197	7,837	10,799						
Mercedes 1900	16,355	15.595	14,450	18,564	18,238						
Paugeot 205 1100	5,821	4,319†	6,352	6,323	7,586						
Rengult 19	8,786	6,390	.9.543°	9,493	11,310						
Toyota Corolla 1900	7,226	5,472	8,312	8,087	10,574						

so, whether such policies needed to be changed. The investigation appears to have been triggered partly by a report on new car price varia-tions from the Brussels-based Bureau Européene des Unions de Consommateurs, the main European consumers union grouping most national con-numers exponentions.

The Brussels report, published late last year, concluded that average new car price levels, net of taxes, varied by up to 70 per cent between the cheapest and dearest EC markets, and by up to 128 per cent when various taxes, such as VAT, were taken into account. EC rules stipulate that maximum and the second of the second mum pre-tax price variation between mamber states should not exceed 18 per cent, but they specifically exclude those states with penally high

national trees on core such as Denmark and Greece. However, the BEUC report says that on average cars in the UK still cost 31 per cent more than in Belgium, one of the chaspest "normal" markets.

The Seedely of Motor Manual.

"normal" markets.

The Society of Motor Manufacturers and Traders said that the price differentials reported by the BEUC were "greatly exaggerated," and that it was "premature" for the UK to review the franchise dealer system unilaterally when it was known that the EC Competition Directorate was considering a semilar move at a Europeins a semilar move at a Europeins. ing a similar move at a European level.

The SMMT added that it did dealer system in itself caused price differentials "as the sys-tem exists in all territories in the EC."

The outcome of the MMC's

The group represents about 90 per cent of worldwide sales by US companies of semiconductor equipment and materi-

investigation seems certain to be watched closely in Brussels. Should it conclude that UK prices are unwarrantedly high, and the existing system of sell-ing new cars through exclusive franchies arrangements a con-tainty factor it can a contributing factor, it could have important implications for EC policy towards the operation of new car markets post-1995, when the current permission for BC-wide exclusive car fran-

US electronics industry is built, industry executives

Semi/Sematech's proposal for a moratorium is none the less controversial within the US semiconductor industry.

S semiconductor industry.
The Semiconductor Equip-

ment and Materials Interna-

tional (Semi), an international trade group whose membership overlaps with that of Semi/Se-matech but includes Japanese

and European companies, opposes any restrictions or

American hostages who had been seized at the US embassy in Tehran. It is the only forum

for official talks between the two countries, which broke diplomatic relations in 1980. While President Bush pub-

licly thanked Iran and Syria for their involvement in the

release of the two American

hostages last month, Washing ton and Tehran are still a long

way from establishing any

thing like normal relations. While President Bush has

spoken of "goodwill begetting goodwill," Washington does

not expect an imminent deal to

remove remaining obstacles.

chias systems expires.

A decision to dismantic the franchised dealer system, still regarded as extremely unlikely because of the complexity of cars and their need for sophisticated after-sales care, could lead to a market "free-for-all." The MMC has been saked to complete its investigation and report back by August 1991.

In foreign policy, Mr Alia last month stated that he wished to restore diplomatic relations with the US and the Soviet Union. And on Tuesday, Soviet Union. And on Tuesday, Mr Adil Carcani, the Prime Minister, announced that Albania intended to join the 35-member European Confer-ence on Security and Coopera-tion in Europe (CSCE), just before Mr Perez de Cuellar, the TN Secretary, Canaral begins before Mr Perez de Cuellar, the UN Secretary General, begins a visit to Tirana tomorrow. Bulgaria's broad-based opposition will return land to the peasants, introduce a market economy and guarantee

By Ian Hamilton Fazey and Sue Stuart in London

island's failure to properly supervise its financial industry in the seven years before the crash in 1982 of Savings and Investment Bank.

(\$70m) belonging to 3,000 The report reveals a catalogue of mistakes, with insufficient checks made on applicants for banking licences,

ing what rules there were. Banks filed their accounts late, but without reprimand. When one was asked to increase the capital it retained in the business, no one checked to see if it had done so. Others flouted instructions

Inquiries went unanswered. Publication of the report follows the collapse of the trial for alleged fraud and related offences of eight owners, managers or agents of the bank last month because of delays - mainly caused by the Manx Government of 1981-86 - in

Report on banking supervision in the Isle of Man, December 1982. Central Reference Library,

Albania to allow travel abroad and freedom of religion

By Judy Dempsey

THE ALBANIAN authorities yesterday amounced a package of radical reforms aimed at improving their dismal haman rights record and at bringing the country out of its self-imposed isolation.

self-imposed isolation.

The measures, announced to parliament by Mr Manush Myfitin, the Deputy Prime Minister, will allow Albanian citizens to travel abroad, a right which has been denied them since the ruling Albanian Labour (Communist) Party assumed power in 1948.

Mr Myfitin also lifted a ban on religious propagands and

Mr Myftin also lifted a ban on religious propaganda and abolished the death penalty for defeators.

The authorities closed down all churches and mosques in 1967, and this was promptly followed by a boast by the then dictator, Mr Enver Hoxha, that Albania had become the "first atheist state."

state."
Moslema, who make up 70 per cent of the population, have navartheless continued to practice their religion.
Albania has spent months criticising the reforms which swept across eastern Europe and Mr Myftin was yesterday at pains to explain the changes. "It is our constant duty to subance the care of duty to enhance the care of human rights...this is in con-formity with practice because such acts have never been...prosecuted until now," he said.

"In our country the state is separated from religion and the question of religious belief is a matter of conscience for every individual."

The measures effectively undermine policies pursued by hir Hoxhs, the founder of the Albanian Labour Party, who remained a staunch stails death in Amil 1928.

or Stains until his death in April 1985.
But so far, Mr Ramis Alia, the party leader, has remained rejuctant to attack Mr Hoxha by name, or for that matter the entrenched old guard.
Instead, he had focused on

criticising excessive bureau-cracy and foot-dragging by party officials in his attenuts to implement cautious eco-nomic reforms started earlier this year.

rights for all its minorities if it is elected on June 10. But such promises may not be enough for it to win the first free elec-tion for over 45 years. Page 3

Report on failed bank lists errors

yesterday published the Bank of England report into the

The bank failed with £42m

inadequate rules to protect investors and laxity in enforc-

from the island's government

bringing the case. The report reveals how politically embar-rassing disclosure of the facts would have been.

Douglas, Isle of Man. £1.25.

The Bank's faith in interest rates

The intellectual justification for the government's "one club" policy of high interest rates is spelt out today in the Bank of England's Quarterly Bulletin. Higher interest rates, says the Bank, are more effective in particular demand than tive in restricting demand than they used to be. One reason is the growth of personal sector debt, following the liberalisa-tion of the mortgage market. In addition, those most in debt – aged between 25 and 30 – have

aged between 25 and 30 — have a greater propensity to con-sume than those with savings. It also helps first the corpo-rate sector has an income gear-ing ratio of over 30 per cent, the highest yet recorded. Such levels have in the past led com-panies to destock and cut back on investment, though the on investment, though the Bank feels the effect may be limited this time by high prof-itability and the inverted yield

curve. The problem is that restricting demand may no longer
work so well against inflation.
Workers demand wage rises to
compensate them for the
increase in mortgage rates;
with labour relatively scarce, employers grant the increa The government useds a sharp rise in unemployment for its anti-inflationary strategy to work. This will result in part from the squeeze on margins caused by interest rates and labour costs, as illustrated by the 800 redundancies at Rush & Tompkins yesterday. But the process will be slow; and it will be a correspondingly long hand before either the underlying inflation rate or the trade defi-cit show a substantial improve-

SK Beecham

The market reaction to SmithKline Beecham's first est of quarterly figures was pre-dictably muted, since no one had the least idea of what to expect. In the event, the expect. In the event, the growth in pre-tax profits — around 14 per cent on a proforma basis, at constant exchange rates — was better than most forecasts. But the first and fourth quarters look set to be seasonally the strongest; and although the rise of three percentage points in pharmacoutical margins is apparently sustainable for the year as a whole, it is neited by proportionally lower capital expenditure and R & D.

Then again, the 39 per cent rise in pharmaceutical profits apparently owes little as yet to cost savings and a good deal to the efforts of the combined sales force. The central ques-tion about SB remains the

Trafalgar House

1985 86 87 88 89 90 same: how far the profit same: now far the profit increases of the next year or two will be organic and thus sustainable, and how far the one-off effect of merger. The shares 14 per cent underper-formance gince the start of the year is due for wardes ever the year is due to worries over the

year is due to worries over the merging of the cultures, the shape of the balance sheet and the speed of the disposal programme. The last matters hardly at all; the first matters a great deal, but there is still no hard evidence on it. At 472p the shares are on il times earnings, which is hardly asking much of the longer-term success of the master plan. Brent Walker

Is Brent Walker in the same swkward, over-geared fix as Mecca Leisure? The figure that jumps off the page in Brent Walker's annual results is the \$788m of net debt on the bal-Walker's ammal results is the \$788m of net debt on the balance sheet, plus another \$500m incked away in unconsolidated wehicles. Behind yesterday's 7p fall in the shares to \$25p has the obvious question of whether Brent Walker can maintain borrowing at these levels. Granted, of that \$788m, \$600m is capped at interest rates of 9.7 per cent. But seven on that basis, when capitalised interest is included the group's interest bill looks like jumping from \$56m in 1989 to perhaps as much as \$25m this year.

This would not look so daunting if the \$118m of operating profits Brent Walker showed for 1989 all camis from recession-proof stuff, like book-making. In fact, of ithe stands should be steady, since stemmed from selling \$40s, brewery-related land and other odds and of neal estats. At the best of times, let alone the Current bear market for UK

the best of times, let alone the current bear market for UK property, profits like these are low quality; and a question

park must stand over Brent Walker's chances of repeating them next year. As for its 1,700 betting shops, cash-generative they may be; but they also have £350m of William Hill Group debt to cope with. A tele

ent of tyres

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Trafalgar House

A long-term case for being bullish about Trafalgar House is easily made, at varying lev-els of sophistication. The 50 per cent profits advance in 1990's first half at its contracting division, including Trollope & Colls and John Brown, was a reminder that Trafalgar is still one of the great infrastructural plays for the 1990s. As for UK property, if this year and next are as bad as 1974 the result could be the virtual extinction of the quoted property develop-ment sector. Hence investors

ment sector. Hence investors who wanted to buy shares in a sizeable property developer would have to opt for one of the congiomerates: Trafalgar, or P&O, or Ladbroke.

Short-term, though, Trafalgar's shares will probably not go far. Assuming yesterday's 10 per cent rise in the interim dividend is repeated at the full year, the prospective yield of 9 per cent is some support, especially given the continued good performance from cruise shipperformance from cruise ship-performance from cruise ship-ping and hotels. But it is hard to see Trafalgar avoiding a fall of up to 5 per cent in earnings per share this year, given the bleak outlook for UK house and commercial property sales.

Jefferson Smurfit

Despite Jefferson Smurfit's apressive earnings record and

US interest paid. But the prospective p/e of 12, a premium to the sector, looks high enough for the risks.

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out there. Wheeling and dealing. But with Tokai Bank on your side, this problem simply does not exist.

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Halt urged to US high-tech takeovers They represent the founda-tion on which the entire \$23000 tech, the US semiconductor industry research consortium.

A MORATORIUM on foreign acquisitions of US high tech-nology companies should be imposed, a top US industry official proposed in congressio-

nal testimony yesterday. The proposal to block foreign takeovers comes amid growing US concern over Japanese takeovers in the US semiconductor equipment and materials industries. It represents the trongest public statement yet by an industry official.

The moratorium on foreign acquisitions should apply to "industries having negative trade balances, until the cost of

IRAN said yesterday it would pay the US a total of \$105m

under an agreement to settle a large number of small-scale

The deal has not been offi-

cially confirmed by the US, although officials in Washing-

ton indicated that agreement was virtually complete. An agreement would also have to

be formally ratified by the Iran-US Claims Tribunal in

Both sides said that a settle-

ment had nothing to do with the recent release of two Amer-

financial disputes

The Hague.

capital is less than or equal to that available to foreign competitors, or foreign govern-ments make capital freely available to US industry on an equitable basis," said Dr Sam

of Representatives sub-commit-tee on commerce, consumer protection and competitive-

links between equipment and materials suppliers and Sema-

Harrell, president of Semi/Se-He was addressing the House

ness. Semi/Sematech is a group of 125 US-owned companies

formed two years ago to forge

als products.
At least 15 member comps nies had been acquired by foreign interests over the past two years, Dr Harrell said.

US suppliers of sophisticated production equipment and processing materials to makers of semiconductor chips are seen as the key to maintaining US international competitiveness to high technology.

Iran to settle financial disputes with US

The Iranian payment would be to settle small claims, each reportedly under \$250,000, for property seized, contracts voided and debts impaid since bunal, saying that the agree-ment had nothing to do with US hostages. He said it was reached "in the normal framework of the negotiations and has no relation with political the Iranian revolution of 1979. Other multi-billion dollar cases are still outstanding. Tehran Radio said that as and economic issues includ-ing. hostages.

US officials involved in the part of the agreement, Iran

would pay \$40m to settle a package of 2,784 US claims.

Iran would also pay \$50m to settle 400 claims outside the talks said last night that the deal might help pave the way for settling the much larger financial cases, such as the Ira-nian claim for undelivered miljurisdiction of the tribunal in The Hague. It did not clarify itary equipment. the remaining \$5m payment.

The claims tribunal in The Hague was set up in 1981 under an agreement which freed 52

Iran's representative at the tri-

Continued from Page 1 early to bury both the (Communist) Party and our Motherland." Parades through all three capitals of the rebellious Baltic republics – Estonia, Latvia and Lithuania – were notable above all for the lack of enthusiasm from the crowds, over-whelmingly Russian-speaking, with native residents largely

Soviet military criticised

boycotting the events. Only in Riga, the Latvian capital, did Mr Ivars Godmanis, the newly elected Prime Minister, deliberately attend, in a gesture of reconciliation. John Lloyd reports from

London: Lithuania faces an

economic crisis within weeks if the Soviet blockade of oil and

other raw materials continues, Mrs Kazimiera Prunskiene, the republic's Prime Minister, said

yesterday.

The lack of fuel meant that light industry, transport and other branches of the economy would come to a halt, she told a press conference after an 80minute meeting in London with Mrs Margaret Thatcher, the UK Prime Minister. "By May 25 we will have a crisis, because our reserves of crude oil will run out by then,"

The Lithuanian Premier said she believed that the main western leaders now supported Lithuania's negotiating posi-

nudy, Or-Ortzale, F-Feir, Fg-Fog. H-Hall, R-Rain, 8-Sunny, 31-Sleet, Sa-Sune, T-Th

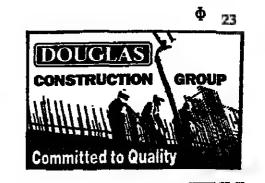
The radio, monitored in Nicosia, quoted Mr Ali Nobari, ican hostages in Lebanon or with the fate of other hostages. WORLDWIDE WEATHER

By Peter Riddell in Washington and Laura Raun in Amsterdam



FINANCIAL TIMES COMPANIES & MARKETS

Thursday May 10 1990



INSIDE

Stora defends German purchase

Bo Berggren, president of the Swedish pulp and paper group, Stora, was at pains yester-day to defend his company's purchase two weeks ago of the West German conglomerate reddmunie Nobel. At Stora's annual meeting in Falue, he produced a financial engines of the Falun, he produced a financial analysis of the DM4bn (\$2.41bn) deal to squash criticism that it would reduce profits through added debts. Within five years, he said, the deal would be saving Stora between SKr600m and SKr800m annually. Page 25

Trafaigar constrained by property slump



interim pre-tax profits at Trafaigar House, the shipping, property and construction group which owns the QE2 and were held back by a depressed UK commercial property market. However, the company still edged ahead from £114m to £117m (\$195m) Broackes (above), Trafalgar's chairmai pointed out that the group was sheltered from some of the domestic economic storms as

Change of tyres at pole position



Restructuring has been going on at such a pace in the world tyre industry that even the biggest surviving play-ers are looking uneasily over their houlders, John Griffithe etarte a series of articles on the global

industry by looking at

Goodyear Tire & Rub-ber which faces demotion from the world number one position in a matter of weeks because of the \$1.5bn acquisition of another US group, Uniroyal Goodrich, by Groupe Michelin of

Brokers unmoved

George Walker, the pugnacious chairman of UK leisure and property group Brent Walker, said yesterday he was baffled by the reaction of brokers to his company's 1989 results. Brent Walker announced a pre-tax profit well sheed of analysts forecasts, but failed to stimulate characters the troubled leisure sector.

Despite some Initial buoyancy, reports David Churchiff, Brent Walker's shares closed down 7p on the day at 295p. Page 30

Technology at 'market-led' IBM



in the mid-1980s, John Akers (left), chairman and chief executive, of international Business Mactines shout up the way the company does business. In effect, the company switched to rather than "technology driven". But do IBM's dyad-in-the-wool tech-nologists feel left out of

FT writers look inside the R&D labe of the world's biggest computer maker. Page 35

Market Statistics

FT int bond service

44 London tracked options .
London tracked options .
London track.

Companies in this section

Acec-Union Minière 34 La Généra 25 Lego 25 Lockheed Allied Irish Banks Altron
Bell Group
Belling
Bersitord intl
Bibby (J)
Bodepas AGE
Bond int'i Gold
Bond Media
Brent Walker
Brillsh Sees 25 Lockheed
25 Markeath Securitie
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34 Mersey Docks
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Westarmers Whiripool Inti. Chief price changes yesterday

Devies & New 375 · — Evens Halchay 106 — A SIE

Citicorp sees lower rating from Moody's

• THE FINANCIAL TIMES LIMITED 1990

MR JOHN REED, chairman of Citicorp, the biggest banking group in the US, said yesterday he expects Citicorp's credit rating to be downgraded by Moody's Investor Service, the US rating

agency.

Mr Reed's comments came three weeks after Moody's placed Citicorp under review for a possible downgrading. Less than two weeks ago, Standard & Poor's,

weeks ago, Standard & Poor's, the other major rating service, cited the deteriorating quality of Caticorp's real estate and leveraged buy-out loan portfolios. It lowered Citicorp's \$30bn of senior debt to AA minus from AA.

Moody's current rating of Citicorp's long-term debt is A1, which is already roughly one notch below the newly lowered AA minus level assigned by S&P. When S&P lowered Citicorp's rating in late April, Citicorp said it was disappointed, but dismissed the move as "a non-event in the was disappointed, but dismissed the move as "a non-event in the market." Yesterday Mr Reed said he couldn't complain about the rating agency's decision.

"I said to the rating services that if they wanted to signal that there has been a deterioration in the gratify of severe them thether.

the quality of assets then that's true. There has been a deterioration." Asked about the Moody's review he said: "My guess is that Moody's will downgrade us to some extent".

Sources at Citicorp have indi-cated that they expect the bank's

non-performing commercial real estate loans to increase by \$500m to \$600m this year. Citicorp is the largest commercial property lender in the US. At the end of the first quarter Citicorp's nonperforming real estate loans totalled \$1.3bn of the bank's \$12.6bn portfolio. There will also be some real estate write-offs.

Yesterday, Mr Reed stressed that he expects that the bank will eventually recover real estate loans that are being written off. He said he expected the real satate slump to have a short-term impact on earnings and, citing the experience of the slump in the early 1970s, described the write-offs as having "a high chance of recovery"

chance of recovery."

Mr Reed said he had toured the Mr Reed said he had toured the US last week and called on 36 real estate customers. "My guess is that prices are weak and getting weaker. The market has not plateaued yet. We're going to continue to feel the pressure of this and we expect to take more write-offs on the real estate portfolio." He stressed that he did not want to abandon real estate customers.

Citicorp's net income declined by 56 per cent in the first quarter of the current year, to \$231m. Its 1989 net profit sank to \$498m — against a 1988 net of \$1.86bn after adding \$1bn to reserves against possible loan losses in less developing countries.

VW's first-quarter profits rise by 5.5%

NET PROFITS of Volkswagen. NET PROFITS of Volkswagen, the West German car group, improved by 5.5 per cent to DMISIM (\$115.2m) in the first quarter of 1990, and Mr Carl Bahn, chief executive, said yeaterday that competition, expecially on prices, was getting tougher in Europe.

He declined to give a full-year profits' forecast. But "VW would have to work hard this year to improve on its 1989 result," he

said.
Group net profits jumped last year by 33 per cent to DM1.04bn, on turnover up by 10.4 per cent to DM85.4bn. Earnings per share were DM61 (DM46) and the dividend on ordinary shares is being increased by DM1 to DM11.

Mr Hahn told VW's annual press conference that the group would have to stap up its production capacity in order to keep pace with growing sales opportunities in eastern Europe. Despite considerable investment plans in Spain, where it owns the SEAT carmaker, and in East Carmany, VW's need for production capacity "does not yet correspond with ity "does not yet correspond with the new dimensions," he said.

co-operation with the Skoda in Czechoslovakia were continuing. Other car groups were also interested in working with Skoda, he said: "But we have made them a good offer." Talks were now at "a

the following day.

The pace of work is intense.
The competition in the industry is ferocious. There is going to be

no let up.

The disclosure that Lufthansa, the West German airline, Japanese Airlines and Nissho Iwai,

only increase the pressure.

The deal would give DHL a significant foothold in Japan, just before the country's planned deregulation of its parcel delivery market. That could be the basis for expanding DHL's presence in the Pacific Rim, which will be an important growth market for express courier services in the

could extend well beyond that. DHL's network of 1,000 offices in 183 countries servicing 550,000

freights over trunk routes.

Competition among the airlines in the cargo business is intensifying. Air France signalled its intention with its bid to control for UTA, the French domestic carrier, which also has significant cargo operations. The deal, which is being examined by the European Commission, would probably make Air France the largest cargo handling passenger airline.

Luftharsa and JAL's talks with

Lufthansa and JAL's talks with DHL follow the announcement last month that along with Air France and Cathay Pacific they will set up an international cargo information network to improve the brokerage of airline cargo mace.

of the costs of developing the expensive computer systems which allocate space on sircraft and track p

tion.
The tie up has considerable attractions for DHL. The dominant position it has held for 20 years in the express documents business is under attack from

ach night at European air-ports employees of the world's four leading inter-national courier companies feverishly sort parcels and documents destined for desks and door mats

the Japanese trading house, may be on the verge of taking a major-ity stake in DHL, the market leader in document handling, will

1990s, partly because of the low penetration of electronic mail and facsimile machines.

But the alliance's significance

customers would be brought together with the two airlines' capacity to carry large quantities of documents, parcels and freights over trunk routes.

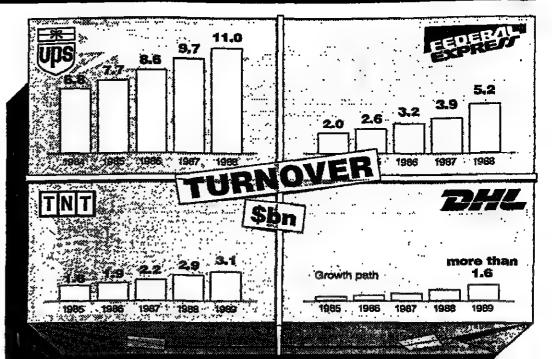
the brokerage of airline cargo space.

Mr Martin White, a consultant who follows the industry for accountants Deloitte Coopers and: "The airlines need to make sure they make best use of the capacity they are installing. Buying into DHL would ensure that."

Higher volumes of cargo, parcels and documents would allow the strings to fully utilise their aircraft and maximise returns from freight operations. Aircraft might even fly double shifts, carrying passengers by day and freight by night, significantly increasing capital productivity.

There would be savings for both sides in aircraft procurement, maintenance and servicing. They could also share some of the costs of developing the

two sources. The other courier companies, battered by competi-



A high-stakes game of pass the parcel

Charles Leadbeater, Robert Thomson and Rod Oram on competition among couriers

tion in the percels end of the business, are attempting to escape by attacking DHL's mar-ket. Electronic mail and facsimile machines are eating into this market from the other side.

DHL has found it an uphill

DHL has found it an upfull struggle to force its way into the parcels business against three competitors. By vertical integration with the airlines, which specialise in handling heavier cargo, DHL will be in a much strong position to deal with parcels.

Mr White said: "The key in this industry is to spread heavy fixed. industry is to spread heavy fixed costs in aircraft, terminals, vehicles and computer systems over high volumes. This should secure high volumes for both par-ties."

thes."

The prospective deal is a sign that competition is set to intensity and it could be accompanied by a restructuring of ownership.

The industry has seen many acquisitions in the last couple of years. All the big four are expanding their European net-works through the purchase of smaller national delivery compawhich has been the slowest to develop its European operations, has bought a clutch of companies in the UK, Spain and Italy. The DHL deal with the Luf-

thansa-JAL consortium is a direct response to Federal Express's \$895m purchase last

year of Tiger International and its Flying Tigers subsidiary, which was then the world's larg-est cargo airline. That acquisi-tion, which brought a fleet of Boeing 747s and landing slots at Japanese airports, was a precur-sor of the sort of vertical integra-tion envisaged by the DHL deal. Attention may now focus on further links between airlines further links between airlines and courier companies. The industry is awash with rumours.
Three months ago British Arways had to deny a persistent rumour that it was in talks with Federal Express. There is also speculation over what Air France may do with its growing cargo capacity. From the other side some of the courier companies may be put under growing pres-sure to forge links with an air-line. UPS, which has strong ground delivery systems, buys its European air transport from con-

As the top four contier services have expanded into Europe so margins and returns have been cut. Mr White said: "Very few of Europe. It is unlikely any will go out of business, but some may be forced to withdraw from competition in some markets."

Analysts believe TNT, which has a strong position in the Pacific Rim, from its Anstralian tion. In the UK and Europe it has diversified away from courier services into contract distribution and freight to broaden the bese from which it competes. Federal Express is still trying to come to terms with its Flying

Tigers acquisition. And it has been spending heavily on developing its services abroad through acquisitions and start ups. Coupled with the problems at Flying Tiger, the investment in global-sation has wreaked havor on the

company's profits.

Analysts estimate Federal Express's after-tax foreign losses are running at about \$150m in the fiscal year ending this month and are likely to be around \$100m part year.

next year.

UPS gives no detailed financial figures but "it is probably losing as much overseas as Federal is on a much smaller revenues base," said Mr Paul Schlesinger, an analyst with Donaldson Lufter & Laurette in New York, Of kin & Jenrette in New York. Of the two companies, UPS has the deeper pockets for international expansion. Its total revenues are eral Express's \$7bn and its domestic US percel business is far more lucrative.

Whatever becomes of its rivals, DHL's talks with the JAL consortium are a clear signal that it, at any rate, has no intention of suc-

Hochtief seen as potential buyer of Rush & Tompkins

By Andrew Taylor, Construction Correspondent

HOCHTIEF, the West German contractor, is understood to be among several overseas compa-nies to have expressed interest in buying all or part of Rush & Tompkins, the failed UK commercial property developer and con-

Senior managers at Rush & Tompkins had also proposed mounting a management buy-out, the group's receivers said yesterday. They also revealed that Rush & Tompkins owed banks £300m (\$504m) when it collapsed at the end of last

Mr Christopher Morris, one of three joint receivers appointed from Touche Ross, the accoun-tancy firm, warned that a fall in property prices meant some bank lenders were likely to incur losses when developments were

He said 800 of the group's 1,750 UK employees were being made redundant, including the group's group. The company's shares were suspended at 5p at the

beginning of April.
Federated made pre-tax profits
of £6.1m (\$9.8m) in 1988. It has warned that it made a substan-tial loss last year, including sub-stantial write downs of its land

Several developers have fulled to far this year, including Rush & Tompkins, Declan Kelly, Irina Halding and J.M. Irina Anumber of other developers have had their shares suspended.

managing director Mr Nigel Dunnett, and other senior executives.

A sale is likely to be complicated, given the large number of joint venture developments which have been undertaken by Rush & Tompkins and on which Mr Morris said it was possible some Rush & Tompkins joint venture partners could join the group in receivership when the future of individual developments was determined.

Three banks – Lloyds, Citi-bank and British Linen Bank –

have separately put receivers into three of the group's 50 UK joint venture developments. Mr Morris warned that some contractors which had not been paid for work done on develop ments could also be in jeopardy.

The group owed trade creditors tens of millions of pounds in addition to bank loans.

"I am not prepared at this stage to say they will get nothing but I am not sanguine about their position," said Mr Morris. It was almost certain shareholders would get nothing, added Mr Morris. addition to bank loans

widely during the property col-

lapse of the early 1970s, when banks took preference shares in

distressed property companies.

These were largely repaid later. The success of Warburg's plan

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Write-offs of 25% proposed at B&C

By Richard Waters and Terry Dodsworth in London

BANKS and some of the other lenders to British & Common-wealth, the troubled financial services group, face write-downs totalling £175m (\$292m) if they accept a rescue plan being circulated among the group's main

Other lenders are also being asked to take substantial losses on their investments in B&C, although not as large as the 25 per cent write-downs proposed for the banks and some loan

stock and bond holders. The proposals are contained in a draft reorganisation plan circu-

lated by S G Warburg, the mer-chant bank appointed by B&C

following its 2550m provision

against losses at its Atlantic Computers subsidiary which have threatened the solvency of the group. Warburg is understood to have suggested a break-up of the group over the next three years to raise money for creditors

who have lent around £1hn. The largest group of lenders, with £700m outstanding, has been asked to take the 25 per-cent write-down. This is likely to lead to a heated battle between different groups of creditors over coming days.

The banks seem prepared to write down their B&C debt, but

on condition that part of it would

be converted into preference

shares. This was a device used

also depends heavily on the reacholders, who have advanced sizem to the group. Some convertible holders are attempting to call in their debt - which could trigger B&C's liquidation.

Warburg wants to complete negotiations quickly to head off such dissident groups and believes creditors and shareholders will benefit more from an ordered winding down than a forced move into liquidation.

By Bernard Simon in Toronto

railway telegraph company has, with a change in name, signalled the start of a battle which is expected to reshape Canada's tightly regulated tele-communications market.

CNCP, an acronym of Canada's two venerable railway companies, said yesterday it was renaming itself Unitel Telecommunications, and confirmed that it would soon apply to regulatory authorities for permission to compete in the public, long-distance tele-

Unitel hopes to persuade the Canadian Radio-television and Telecommunications Commission (CRTC) to end the long-distance monopoly held by Telecom Canada, a consortium of 10 utilities, the biggest of which is Bell Canada.

Bell, a subsidiary of the Montreal conglomerate BCE whose other interests include equip-ment supplier Northern Telecom, also has a monopoly on

com, also has a monopoly on local telephone service in most of Ontario and Quebec, the two biggest markets in the country. Unitel yesterday kicked off what promises to be a protracted public relations struggle with Bell by describ-ing itself as "Canada's national nunications company and saying that it is "the strongest viable alternative to the telephone companies."

Unitel already provides national, private-line voice and data services, but the CRTC turned down its application in 1985 to enter the public long-distance telephone mar-ket. It said it plans to invest C\$400m (US\$345m) in long-distance volca service.

BOND International Gold

(BIG), which last year became a subsidiary of LAC Minerals

of Canada, yesterday reported a plunge into first-quarter net

losses of US\$4.3m, or 8 cents per share, from profits of \$3.4m, or 6 cents for the year-ago period, writes Our Finan-rial Staff.

The company, a New York-quoted group which encom-passed most of the gold mining interests of Mr Alan Bond, the

embattled Australian entrepreneur, said the losses were partly attributable to lower

copper prices and lower copper production at its El Indio mine

Additionally, the average cost of gold production for the

quarter was \$229 per ounce, including by-product credits,

in Chile.

A 140-YEAR-OLD former Canadian National Railways sold its stake in CNCP in 1988 to its partner, Canadian Pacific (CP) of Monireal. CP in turn turned over a 40 per cent interest last September to Rogers Communications, Canada's biggest cable television operator.
Rogers' participation in Unitel is part of aggressive efforts to diversity from cable TV into

the broader telecommunications field.

Its foothold in the long-distance telephone market, assuming Unitel's application succeeds, is expected to foreshadow a move into local

telephone service.

Rogers is investing heavily in a fibre-optic cable network which could eventually be used

which could eventually be used to carry both cahle TV and telephone signals.

Aithough Bell says it has no objection in principle to competition, it is likely to oppose strenuously Unitel's licence application. Bell estimates its long distance resenues subsidered. long distance revenues subsidise local services to the tune of about C\$2bn a year. Efforts to correct the imbal-

ance by charging for local calls have met with strong con-sumer and political resistance. Bell, which has an extensive fibre-optic network of its own, has hinted that it may retaliate against Rogers by moving into cable TV transmission.

cable TV transmission.

It has also tried to spike Unitel's guns by lowering long-distance charges by as much as 51 per cent in the past

One analyst estimates that even if Unitel's latest long-distance application suc-ceeds, it will be three to four years before it starts service.

Falling mineral prices hit

Bond International Gold up from \$187 per ounce.

The result was also affected
by pre-tax unrealised foreign
exchange losses of \$3.1m, com-Mr Fiorint said that agreement had been reached to raise not cash of around \$175m. pared with gains of \$5.9m pre-viously, relating primarily to the company's Swiss franc

> BIG reported record group sales for the quarter of \$70.2m against \$52.2m. Gold produc-The Benta sale would not close for several months because it was necessary to first launch a tender in Spain tion was also at a record of 162,4580s, of which the company's share was 152,1820s. This reflected additional production from the bullion hims. in Nevada, which began operations in September 1988. This compares with total pro-duction of 108,672oz for the

> while provide the \$175m. The remaining funds would same period in 1989, of which its share was 98,88602. Working capital from operations nearly doubled. come mainly from the sale of other European assets.

Pathé move to extend tender offer for MGM

By Alan Friedman in New York

complex unconventional \$1.2bu planned takeover of MGM/UA by Pathé Communications, the Hollywood studio controlled by Mr Giancarlo Parretti, the Italian financier, has taken another turn as Pathé announced for the second time in as many weeks its intention to extend its tender offer for

MGM shares. Last week Pathé said it was extending the closing of the offer from April 30 to May 10. On Tuesday Pathé said the ten-On Tuesday Pathe said the tender was being extended further, until June 7. The deal between Pathe and Mr Kirk Kerkorian, the casino moguli who controls 82 per cent of MGM/UA, provides that Pathé may complete its offer at any time on or before June 23. Scepticism about Mr Parret-

ti's ability to come up with the cash has been a feature of the transaction since it was first amounced in early March and even after Time Warner, the media and entertainment giant, agreed to guarantee 850m of loans for Pathé in exchange for distribution rights to the United Artist film

Mr Florio Florini, chairman of Pathé and Mr Parretti's main financial partner, insisted that obtaining the funds was no problem and claimed that the tender was being extended "mainly

heing extended "mainly because of documentation delays and legal papers."

Mr Fiorini said there was "a small problem" with some of the holders of \$400m of MGM/UA junk bonds who had threatened legal action because of the added debt burden arising from the Time Warner-backed loma.

He said, however, that the

He said, however, that the European network of companies he and Mr Parretti control would set up a sinking fund to acquire about \$110m of the bonds over the next six mentils.

from the sale of Renta, a Span-ish real estate company he and Mr Parretti control, to a con-sortium led by Société Phenix, a publicly quoted French com-

to buy out the remaining 25 per cent of the shares quoted on the Madrid Stock Exchange, but that bridging loans from Spanish and French banks would meanwhile promptle the \$175.00

Competition puts renewed pressure on tyre industry

several years of recovery from the financial losses and severe over-capac-ity which marked the early 1980s, is under pressure again, writes John Griffiths.

turnover industry are being deflated once more by a renewal of intense cumpetition, particularly in the original

Profit margins in the \$45bn-a-year it market for new car tyres.

performance, low-profile car tyres - a key factor in the financial turnround of the mid-1980s for those companies with the technology to develop and make them - is being rapidly croded as more entrants crowd into the sector. Substantial investment in new capac-

THE WORLD tyre industry, after several years of recovery from the financial losses and severe over-capac.

The comfortable profitability of high replacement tyre demand is slowing in some of the world's major markets.

Against this background, share valnes of most of the tyre majors have

In addition, there are still linguring uncertainties about whether the restructuring of the industry is really

Even though more than 80 per cent of total world tyre business is in the hands of the six largest companies, speculation continues as to whether there could be one final, spectacular acquisition or merger before the industry adopts the shape to take it into the

21st century.

The article on Goodyear is the first of a series examining the current state of the industry's major players.

Demotion fails to deflate Goodyear gusto

John Griffiths finds the tyre maker fighting possible losses and global rationalisation

oodyear Tire & Rubber is being brought face-to-face with what, until recently, was unthinkable: the loss of its long-held position as the world's biggest tyre maker. There is also the possibility of a descent into losses — even if briefly — for part of this year for only the second time in more than a

Demotion is taking the form of a \$1.5tm acquisition by the French Groupe Michelin, of Univoyal Goodrich of the US,

begun last September.
When completed in a few weeks' time — assuming US anti-trust approval is given — this most recent instalment of a sweeping rationalisation in the world tyre industry will leave Michelin with some 20 per cent of the world tyre mar-ket, compared with around 18 per cent each for Goodyear and Bridgestone of Japan. It will also leave Goodyear as

the last of the US tyre giants not under foreign ownership. Mr Tom Barrett, 60, a lean, bespectacled Goodyear veteran who recently marked his first anniversary as chairman, refuses to acknowledge that losses, of however brief duration, are inevitable.

However, against the back-ground of a 41 per cent drop in net profits last year, accelerating to a 74 per cent year-on-year plunge in the final quarter of last year, Mr Barrett, who is also chief executive, feels unable to rule out losses. Goodyear unveiled a 78 per-cent plunge in this year's first-quarter earnings. Net income for the three months to March 31 fell to \$20.9m or 38 cents a share, from \$94.5m or \$1.64 in the same period of 1969.

The quarterly results also need to be viewed against the background of total net earnings last yeer of \$306.8m, down from \$350m in 1988 and \$770m the year warderst.

"Obviously, we think losses won't happen," said Mr Bar-rett, speaking at Goodyear's Akron, Ohio, beadquarters.
"But there are a lot of market forces at work we don't have any control over. We've

got the capability of generating cash; the only reason I don't say hardcore that we won't (go into loss) is the possibility that our rivals might come out with

something."

He will not speculate on what the "something" might be. Restructuring has been going on at such a pace in the tyre industry that even the biggest surviving players are looking uneasily over their

gnouners.

Goodyear itself has not escaped the takeover rumour mill, with speculation ranging from the Japanese to Italy's Gruppo Pirelli as potential



Tom Barrett: "we think losses won't happen"

"Pirelli? That was always ridiculous," said Mr Barret. But he accepts that Japanese intentions, in particular, remain hard to decipher.

Bridgestone, by far Japan's biggest tyre maker, appears fully occupied digesting Goodyear's old US rival, Firestone Tire and Rubber, which it bought for \$2.60n some 18 months ago for \$2.500 some is months ago
— outbidding a chagrined
Michelin and Pirelli. But having declared it intends to
become the world's largest tyre
maker. Bridgestone was illpleased when Michelin moved
so quickly to sasp up Univoyal:

ocurical.

Mr Barrett maintains that be 1982 at least before the pipespite Bridgestone's boast, intelligible carrying sufficient crude
as major restructuring among to the Goodyear a profit as despite Bridgestone's boast, the major restructuring among

the big players ought now to be over. "Since 1985 we have gone from 11 players with 80 per cent, to just five with 80 per cent."

Any further restructuring,

he suggests, will be concen-trated on smaller companies. However, Goodyear has plenty of problems to cope plenty of problems to expe-with, even in the absence of further mergers or alliances. Some are shared with the entire industry. Others are the entire initiary. Others are the initiation of past Goodyear policy decisions, such as diversification and the legacy of the 1986 "dawn raid"

by British entrepreasur Sir James Goldsmith. The raid saddled Goodyear with nearly \$3bn in extra debt to buy back

its shares.

The faltering North American vehicle market is one worry, with the "big three" domestic producers on which the bulk of Goodyear's original equipment business is based cutting back sharply on output. The market for replacement tyres is also weakening. ment tyres is also weakening.

Vehicle and tyre markets
elsewhere are also coming off
the boil, and this is at the very time more capacity is being introduced around the world. Mr Barrett's concern is about how the industry will handle the developing supply-demand imbalance — whether

demand imbalance — whether there will be a repeat of the price wars of the early 1980s which plunged the industry into losses and acted as the catalyst for restructuring.

In addition, Goodyear's profitability is being sapped by its single most costly diversification — a \$1.4m, 1.800-mile oil pipeline running from California to Texas from which it had expected fat profits from carrying Alaskan and other crude to Texan refineries.

Its post-Goldsmith efforts to sell the pipeline had been confounded by weak oil prices and the furore over the Valdas oil spill in Alaska, so Goodyear is saddled with a line operating at only a third of capacity.

Mr Barrett says it is likely to be 1992 at least before the pipeline attriction confident crude.

owner. "There are a lot of external factors at work, like the price of oil and environ-mental attitudes after Alaska," he observes.
The same factors make it likely that Goodyear will be

the pipeline's owner for some time. "It's not that we don't want to sell. There are simply no buyers available." t has become a visible burden on Goodyear's books

the consequence of ending last October, the practice
of simply adding the expenses
of the pipeline to its project
value so that it did not detract

from profits. That practice was clearly

proving a worry to analysis so, according to Barreti. I put it on the books . . . to try and take the mystery out of it, to try and clear the air with the



WORLD TYRE INDUSTRY

financial community."

The price of so doing was the disclosure that the pipeline made a \$56.8m pre-tax loss last made a \$56.8m pro-cax loss last year on sales of a mere \$11.8m. These factors have com-bined, says Mr Barrett, to make 1990 "a potentially diffi-cult year."

In reaction, Goodyear is reducing manufacturing and operating expenses, improving

operating expenses, improving production and distribution efficiency, and making itself better able to react more quickly to market change.

In operating terms, the tyre business, accounting for around four-fitting of turnover, is only marginally lower than in 1968, at \$722m on \$368, of accounting to account the claims, provided there are in 1968, at \$722m on \$368, of accounting to account the claims.

just over \$50n. Fligher foreign taxation, the sale at a loss of facilities in South Africa, and other write-downs have, however, had a severe impact at

the bottom line.

Nevertheless, "the structure that had been in place for 50 years was not good enough, so we have gone for more autono-mous business units with more responsibility," says Mr Bar-

There is also geographic change, with world-wide operations being split into four regions, plus the Kelly Springfield operations which make tyres under other brand names

in North America. The North American Goodyear tyre operations are being regrouped into two new busi-ness units, consumer and cummercial tyres — a structure due to be in place by the mid-dle of this year.

Only five years ago, the "big five" US-owned companies were among the largest in the world. Goodyear is the only survivor, and Mr Barrett insists it will stay that way. "The other companies war-an't prepared to fight like we've been doing ... we're certainly strong enough to sur-vive — in spite of Goldsmith." Goodwar ment sums Sulles

Goodyear spent some \$300m. probably more than anyone else in the industry, on research and development last With the motor industry well

on the way towards globalisa-tion, and the big tyre makers close behind, Mr Barrett claims that Goodyear is "in a better position than anyone to make that shift. The only place we're missing is Japan, where we don't have a manufacturing base."

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The sea

That is being addressed, affeit cautiously. Goodyear is to set up a technical cautre in Japan; as a prelude to examin-

Kodak focuses on east Europe markets Barbie doll unlocks dividend for Mattel

By Karen Zegor in New York

MATTEL, one of the world's biggest independent toy manu-facturers, yesterday declared its first quarterly dividend

since 1983.

Mr John Amerman, chairman and chief executive, said the decision to pay the three cent dividend "recognises the consistent profitable growth which Mattel has achieved. which matter has achieved over the past nine quarters, and our continuing positive outlook," said Mr John Amer-man, chairman and chief exec-

The company, which has no plans to introduce a regular quarterly dividend, said it would review its dividend policy on a quarterly basis.

Mattel, whose erratic perfor-

mance in the past 16 years reflects the volatility of the US toy industry, has been benefiting from the sparkling performance of its Barbie line.

mance of its Barbie line.

First-quarter net profits soared 95 per cent to \$8.4m on sales which grew 20 per cent to \$234m. Last year the company had net income of \$1.38 a share, including a one-time charge of 22 cents a share, on

sales of \$1.2bm. As recently as 1987, Mattel reported a loss of \$2.26 a share.

The Hawthorne, California-based company, also said it would reduce its long-term debt to about \$142.8m by repay-ing on July 15 all \$75m of its 10% per cent senior subordi-nated extendible notes.

of up to 500,000 shares on the open market over the next 12 months to fund the company's

was well above its 1989 high of

Research has a mean estimate of \$1.94 a share.

BASTMAN Kodak, the US photographic products group, expects an improved financial picture for the rest of the year, said Mr Colby Chandler, chair-

said Mr Colby Chandler, chairman, Reuters reports.

The company, which is negotisting several joint ventures in the Soviet Union, sees great potential for its products in east European markets.

Mr Colby told the annual meeting that "as 1990 unfolds and our gains from restructuring take hold, we look forward to higher sales, better sara-

ings, and improved cash flows, especially in the latter part of the year."

The company also sees good growth in traditional photography and will exploit its propri-

etary technology in electronics to usher in a era of hybrid film/electronic imaging over the next decade.

Kodak is uniquely posi-tioned to influence and lead this evolution of the imaging market, said Mr William Fow-ble, Photographics Products Group vice president.

He said he expected East-man's imaging business in eastern Europe to grow at the

eastern Europe to grow at the rate of 20 per cant.

"In eastern Europe and the Soviet Union, there is a large pent-up demand for high-quality photographic products and services," said hir Fowble.

Mr Fowble said Kodak was negotiating joint ventures in the Soviet Union that involved the sale of consumer products such as film, cameras and finishing supplies.



Invitation to the Ordinary Annual Meeting of Stockholders

We have pleasure in inviting holders of ordinary and preferred shares to the Ordinary Annual Meeting of Stockholders to be held at 10.00 a.m. on Thursday, July 19, 1990 at the Internationales Congress Centrum in Berlin.

1. Presentation of the confirmed financial statements, the consolidated financial statements, the Management Report and the Group Management Report for the year ended December 31, 1989 together with the Report of the Supervisory Board

2. Resolution on appropriation of net earnings available for distribution

3. Ratification of the actions of the Board of Management 4. Ratification of the actions of the Supervisory

5. Resolution on increasing the compensatory payment for AUD! AG shares and amendment of the inter-company agreement

6. Resolution on approval of inter-company agreements

7. Resolution on the creation of authorized capital stock and the appropriate amendment of the Articles of Association 8. Resolution on adjustment of the remunera-

tion of the members of the Supervisory Board

and the appropriate amendment of the Articles

of Association

9. Appointment of auditors for the fiscal year

With respect to item 7 the holders of non-voting preferred shares will decide on the passing of a resolution at a separate meeting to be held at 3.00 p.m. on the same day regarding their approval of the resolutions passed at the Ordinary Annual Meeting of Stockholders.

Entitlement to attend the Annual Meeting of Stockholders and to exercise voting rights is restricted to stockholders, and with regard to voting rights to holders of ordinary shares, who in accordance with the Articles of Association deposit their shares or the certificates of deposit of their shares from a bank for central depository of securities at the latest by July 11, 1990 at the depository below, at a notary public or a bank for central depository of securities and leave them there until the end of the Annual Meeting of

Depository in Great Britain is S.G. Warburg & Co.

It is also permissible with the agreement of a depository to hold the shares at another bank and block them until the end of the Annual Meeting of Stockholders.

Wolfsburg, May 1990

THE BOARD OF MANAGEMENT **VOLKSWAGEN AG**

Mattel had already reduced interest costs by about \$5m after it called its 11% per cent bonds late last year.

In addition, Mattel's board has authorised the repurchase of up to 500 000 shores on the

stock option plan.

Although shares in Mattel gained only \$% to \$23% yesterday in light mid-day trading on the New York Stock Exchange, the company's stock

\$20%. Mr Harold Vogel, an analyst at Merrill Lynch, last month increased his 1990 earnings estimate to \$2 a share from \$1.85, while Zacks Investment

Lockheed to move aircraft operations

By Roderick Oram in New York

LOCKHEED is to transfer its remaining aircraft design, development and manufacturing operations from Burbank, the Los Angeles suburb which has been its home for more than 60 years, to cope with sharply reduced defence aero-

space budgets.

The work will be moved to its plants at Paimdale in the southern California desert, and at Marietta, north of Atlanta,

The company had said previ-ously it would shift some work and put up for sale 225 acres of the Burbank site, but delays in new aircraft programmes have prompted it to close down the remaining 95 acres.

The company hopes the prime Los Angeles real estate will fetch about \$1m an acre

once authorities are satisfied environmental damage is

Lockheed will vacate most of the property by next year but it will not move its famous "Skunkworks" to Palmdale until 1994. The centre has developed some of the US military's most secret aircraft, such as U-2 and SR-71 spy planes and the F-117A stealth Lockheed said it took the

decision because the Pentagon was likely to delay production by at least two years of the P-7A, an anti-submarine aircraft Lockheed is developing. It has also deferred a decision on which of two competing US consortia will build a new advanced tactical fighter. If the Lockheed team wins the ATF order, the aircraft will be

P-7A. About 2,750 people will lose their jobs as a result of the moves, the company said.

built in Georgia along with the

The new VW mesench vehicle: IRVW-Futum

Invitation to the Separate Meeting of Holders of Preferred Shares

We have pleasure in inviting holders of preferred shares to the separate meeting to be held at 3.00 p.m. on Thursday, July 19, 1990 at the Internationales Congress Centrum in Berlin. The start of this separate meeting of holders of preferred shares may be subject to delay depending on the length of the immediately preceding Ordinary Annual Meeting of Stockholders.

Agenda

1. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders on July 19, 1990 regarding authorization to create authorized capital stock

2. Special resolution by the holders of preferred shares regarding approval of authorization of the Board of Management to create authorized capital stock in accordance with the resolutions passed by the Ordinary Annual Meeting of Stockholders and announced under item 1 of the agenda

Entitlement to attend the separate meeting and to exercise voting rights is restricted to holders of preferred shares who in accordance with the Articles of Association deposit their shares or the certificates of deposit of their shares from a bank for central depository of securities at the latest by July 11, 1990 at the depository below, at a notary public or a bank for central depository of securities and leave them there until the end of the separate meeting.

Depository in Great Britain is S.G. Warburg & Co. Ltd. in London.

It is also permissible with the agreement of a depository to hold the shares at another bank and block them until the end of the separate

Wolfsburg, May 1990

THE BOARD OF MANAGEMENT



INTERNATIONAL COMPANIES AND FINANCE

VW seeks more European capacity

By Andrew Fisher in Wolfsburg

VOLKSWAGEN, the West to DM1.04bn, with turnover up German car group, will need more European capacity if it is Earnings per share were DM61 to keep up with the growing sales opportunities in eastern Europe, said Mr Carl Hahn, the chief executive, yesterday.

Despite its considerable

investment plans in Spain, where it owns the Seat car-maker, and in East Germany, VW's need for production capacity "does not yet correspond with the new dimensions," he told the annual

press conference. VW's current investment programme: totals about DM30bn (\$17.5bn) up to 1994, not including its share of the DM5bn hooked for the East German project to assemble its small Polo car. Last year, group capital spending totalled

almost DM5tm. VW announced a 33 per cent rise in group net profits in 1989

■ Varta, the West German bat-

evaria, the West German bat-tery and plastic products group, said its perent company net profit in 1989 remained unchanged from a year earlier at DM39.6m due partly to restructuring and higher raw

materials costs, AP-DJ reports.

It will pay an unchanged annual dividend of DM10 a

■ Plans for a merger between Landesbank Rheinland-Pfalz and Bayerische Landesbank

Girozentrale have been put on

ice while Pfalz considers other options such as privatisation, Bayerische Landesbank chair-

Bayerische Landesbank chair-man Mr Hans Peter Linss said.

Reuter reports. Mr Lines said the merger would not happen this year although prepara-tions were largely complete.

HEROTE BEE

against DM46. The dividend is. being increased by DM1 to DM11 on the ordinary shares.

Worldwide production was 3 per cent-higher at 2.95m vehicles. Mr Hahn forecast that the 3m mark would be passed this year. In the first quarter of 1990, net profits were 5.5 per cent higher at DM191m, with turnover up 7 per cent to DM17.2bn Mr Dieter Ullsperger, the finance director, said the difficult economic situation in Brazil had affected the first

However, VW was benefiting from its domestic job-cutting and efficiency programme, which had saved around DM2.3hn in the last two years, with a further DM1bn saving planned for 1990.

With competition getting

tougher in Europe, VW would have to work hard this year to improve on its 1989 result, Mr Hahn said. He declined to give

Vehicle deliveries in the first four months were 2 per cent higher at 1m units, with those of Seat up by 12 per cent to 130,000. Sales in West Germany edged up by 1 per cent, and by 5.5 per cent in the rest of Mr Hahn said talks on possi-

ing. Talks were now at "a very delicate stage."

In East Germany, VW is aiming for an initial yearly output of 125,000 cars, with a rise to 250,000 after 1994. The first tranche of VW investment for the expansion at the Zwickau plant of the IFA motor group in East Germany will be

ble co-operation with Skoda in Czechoslovakia were continu-

VW is also talking to Ikarus, the Hongarian truck group, about co-operation on bus body

Mr Hahn stressed that these moves did not mean cutting back on plans for Seat. Capital spending at Seat would total DM10bm up to 1998, with production rising to 750,000 vehicles a year from 530,000 in 1990 and 474,000 last year.

Mr Ullsperger said Seat's net profits jumped to DM89m in 1989 from DM18m, with those of Audi, its up-market German producer, up to DM228m from DM151m. VW's share of profits in Autolatina, its joint venture back on plans for Seat. Capital

in Autolatina, its joint venture with Ford of the US in Brazil and Argentina, advanced to DM348m from DM228m. The Mexican operation moved from a DM114m loss to a profit of DM28m, while the North American company income dropped from DM117m to DM45m.

Stora rebuts Big machinery makers criticism of Feldmühle purchase

By John Burton in Stockholm

STORA, the Swedish pulp and paper group, said yesterday that its profits after financial items in 1989 would have increased by SKr609m to SKr4.5bn (\$750m) on a pro forma basis if its acquisition of Feldmühle Nobel had occurred at the beginning of

A financial analysis of the deal, released at the Stora annual meeting in Falun, was designed to rebuff criticism that the company's DM4bn (\$2.4bn) purchase of the West German conglomerate two weeks ago would adversely after the profits due to added

Mr Bo Berggren, Stora president, told shareholders that the synergy of the deal would save between SKr600m to SKr800m yearly within five years. He did not comment on speculation that Stora might sell part of Feldmühle's nonforestry interests to finance

the purchase.
Stora based its profit calculation for 1989 on the premise that the Feldmühle acquisition was financed in equal parts through short-term borrowing and reduction in liquid funds, with the estimated cost of financing the acquisition amounting to about SKrlbn a

Store argued that its sales would have jumped from SEr42.3bn to SEr74.1bn, with sarization to Sarization, with about Sky35th attributable to forestry-industry products, if the Faldmuhle results were included last year. Operating profits would have climbed from Skr5bn to Skr6.9bn, while financial costs would

have grown from SKr1.1bn to SKr2.4bn. The deal would have had a modest effect on earnings per share, lifting them from SKr41.50 to SKr41. The visible equity/asset ratio would have dipped from 32 per cent to 21

one of the chief effects of the deal, which will create the world's fourth largest pulp and paper group, will be to increase Stora's percentage of sales to European Community countries from 44 per cent to 62 per cent.

cut out the middle folk fter a short breathing space, the world's construction and earth-A space, the world's construction and earthmoving machinery industry has resumed the ownership restructuring which is changing the face of one of the most competitive manufacturing

Alliances and joint ventures among the largest and middle-ranking companies have been a recurring theme, but the dominant characteristic recently in this \$50bn industry has been the loss of independence from some of Europe's smaller manufacturers.

In March, VME - the Swedish-American company formed in 1985 from the construction machinery interests of Volvo and Clark Equipment - pur-chased Zettelmeyer, a small West German producer of wheeled loaders and bulldoz-

Komaisu of Japan, the sec-ond largest machinery maker after Caterpillar of the US, acquired a majority stake in Hanomag, a West German equipment producer.

Benati, a struggling Italian manufacturer of backhoes and wheeled and crawler loaders, wheeled and crawler loaders, was bought by Fiat-Hitachi, a three year-old joint venture in Italy between the Italian and Japanese companies.

Earlier last year, Furukawa, a Japanese wheeled loader specialist, acquired the European manufacturing operations of Dresser of the US, including its property to the US, including its property to the US, including its property to the US.

encavator business in France. And there have been persistent rumours that West Germany's Liebherr, a medium-sized producer of cranes, excavators and diesel angines, has been in merger talks with VME. This has been denied by both VME and Liebherr.

With the approach of the single European market, VME was desperate to find a producwas desperate to him a produc-tion base in the European Community, which Zettel-meyer now gives it. The acqui-sition also adds wheeled bull-dozers and small wheel loaders to VME's range of dump trucks and large wheeled loaders. VME said a further factor

was its interest in selling to eastern Europe, best served from a West German basa. Komatsu purchased Hanomag partly to add to its production capacity in the EC. The Japanese company has already established a base in

Korea's biggest machinery company, had been discussing the purchase of Hanomag with the West German manufacturer, which has an excellent

manufacturing facility but has been struggling financially. The purchase of Benati by Fiat-Hitachi was also partly a blocking mechanism, accord-ing to Mr David Phillips of Corporate Intelligence Group, a London-based industry analyst. Sumitomo of Japan, which has a joint venture with Link Belt of the US, had been on the point of acquiring Benati before Fiat-Hitachi stepped in. Fiat was determined to stop another Japanese company coming into its domestic mar-

Nick Garnett on changes in Europe's construction machinery industry that have led to middle-sized companies being gobbled up by some larger groups

trend: that some smaller Euro-pean manufacturers will con-tinue to be gobbled up by their

bigger competitors.
Many small specialist producers will survive. But even the best manufacturers can only earn a return of about 5 per cent on sales, according to Mr Phillips. And the pressures on Japanese companies to manufacture in the EC, and on middle-ranking European and North American companies to either grow or see their posi-tions eroded, has created a gaggle of willing buyers.

we further issues domi-nate. One is whether Hitachi is going to chal-mae long term the dominant position of Caterpillar – which has construction machinery sales of \$8bn from total revenues of \$11bn - and the somewhat smaller Komatsu. These two companies have almost 25 per cent of the world market, according to the corporate intelligence group.
"I see three major players as a result of all this shake-out." says Mr Don Fites, Caterpillar's president, shortly to assume the chairmanship.

"Cat will be number one Komatsu number two, and Hitachi will become number three as a result of the deals with Fiat and John Deere. Hitachi will dominate that grouping." Mr Fites is referring to a triumvirate developing between Fiat, Hitachi and Deere, a US machinery maker.

Titachi has a joint venture in excavator man-ufacturing in Italy with gets access to Fiat's European distributors, and Fiat gets Hitachi's excavator designs. Hita-chi has a similar deal with Deere in the US. Deere and Flat are also planning a joint venture for backboes in

Europe.

The second question concerns the survival strategies of the middle-ranking companies
- those with sales from about Sibn to \$2bn. These companies include Deere, J.I. Case and Dresser in the US. VME, and slightly smaller German com-panies such as Oren-stein & Koppel and Mannes-

one view is that many of these companies, some with relatively full equipment ranges but restricted geographic markets, will be

Dresser has put its North American machinery operations into a joint venture with Komatsu and their dealerships are being merged there. The industry reckons that Komatsu will dominate that venture and that Dresser will back out of the industry. The

US company denies this.

Case keeps reaffirming that it will stay in the business, and VME's purchase of Zettelmeyer means that it aims to expand.

Polyuliding rook in Fast Case. Rebuilding work in East Germany will boost West Germany's middle-ranking machinery makers. However, it machinery makers. However, it would appear that some of the world's middle-ranking companies could be forced together. "Many of them cannot offer total global distribution networks," says Mr Phillips. "I think there will be more mergers or joint vantures in marketing and manufacturing."

La Générale to float unit shares NEWS IN BRIEF Steady results By Lucy Kellaway in Brussels at Alcatel arm

Belgique, Belgium's biggest industrial holding company, yesterday announced plans to float up to BFr8bn (\$140m) worth of shares in Acco-Union STANDARD Elektrik Lorens (SEL), the West German electronics unit of France's Alcatel, said its 1989 group net profit was little changed at DM29.7m (\$18.5m) from 1988's Minière, its non-ferrous metals DM28.2m, Reuter reports.

Alcatel is a unit of Cie Gén-

The move follows a reorganisation of these operations at the end of last year, when La Générale injected many of its scattered non-ferrous busigrap turnover edged up 0.3 per cent to DM4.0bn and parent company sales rose 1.3 per cent ses into Acec-UM to form a to DM3.9bn. SEL will pay an unchanged dividend of DM2.50.

more coherent group.

The share sale is part of the wide reaching restructuring at La Générale following the failed takeover of the company by Italian businessman Mr

SOCIETE GENERALE de
Belgique, Belgium's biggest
industrial holding company,
yesterday announced plans to 87.5 per cent to about 75 per cent, and was designed to increase the liquidity in the stock on the Belgian market. pany had no fixed plans for any acquisitions, and that the money would go towards reducing short-term debt. The share sale, which will take place between May 21 and 29, will be geared mainly at

private investors,
La Générale expects to sell
between 1.2m and 1.8m shares
at a price of between BFr4,190

was to form a majo
could rival the lib
the UK and Metal
of West Germany.

and BFr4.400. The sale, unusually large for the Belgian market, will be handled by Générale de Banque. The price will be set on May 16. The non-ferrous metals

important of La Générale's sectors, and consists of a wide variety of businesses spanning a range of metals in both

At the time of the metals reorganisation last December the company said its ambition was to form a major group that could rival the likes of RTZ of the UK and Metallgesellschaft

Belling to supply Whirlpool Int'l

By Clay Harris, Consumer Industries Editor

BELLING, the privately owned UK electric cooker manufac-turer, is to make appliances for the British market for Whirl-pool International, the European joint venture between Whiripool of the US and Phil-ips of the Netherlands. The stand-alone electric cookers will be manufactured at Belling's factory at Enfield, north London, Neither com-pany would specify how many Belling units would be made

Whiripool brand. The compa-nies have agreed not to compete directly in products.

Whirippool will continue to make some electric content for

the UK in Italy. The Belling deal enables it to extend its range without re-tooling for short production runs; only in the UK is there a demand for "dual-cavity" cookers, with oven and separate grill. UK sourcing will also allow Whirl-

pool International to hedge its exposure to the weak pound.
It is under pressure from its
US parent, which owns 53 per
cent of the company and can
buy out Philips from next year, to bring margins closer to those achieved in the US. In 1989, Whiripool made US oper-ating profits of \$300m on sales of \$4.13bn, compared with \$102m and \$2.1bn in Europe. Helping the Baby grow

Net profit for the year ended 31 December 1989 amounted to Dfl 354.8m, an increase of 28.5% compared with 1988. Excluding exchange rate fluctuations, the increase was 26.7%.

Total income worldwide from life assurance, non-life insurance, investment income and other activities rose by 12% to Dfl 9,425m.

Companies in the Netherlands contributed 37% of total income as against 42% from the USA, 17% from other European countries and 4% from Australia, New Zealand and Hong Kong.

A dividend for the year of Dfl 2.65 (1988: Dfl 2.55) has been recommended.

The directors are optimistic about the prospects for 1990 and, barring unforeseen circumstances and violent fluctuations in exchange rates, expect earnings per share to be higher than in 1989.

Copies of the 1989 Annual Report can be obtained from: AMEV (UK) Limited,

1 Houndwell Place, Southampton SO9 INY. Telephone: 0703 637411

Financial Results

(millions of guilders)

£1 = approx. Dfl 3.00

	1989	1988
Life Assurance	230.8	230.6
Non-Life Insurance	171.3	38.8
Other Activities	97.5	70.4
	499.6	339.8
Taxation	(151.5)	(66.7)
Third Party Interests	6.7	3.1
Profit	354.8	276.2

AMEV Worldwide

AMEV is an international insurance and financial services group based in the Netherlands. Its shares are quoted on the Amsterdam Stock Exchange and AMEV share options are traded on the European Options Exchange. Total assets are now Dfl 30bn.

AMEV operates in 11 countries: Belgium, Denmark, Eire, France, the Netherlands, Spain, the United Kingdom, Australia, Hong Kong, Singapore and the USA. Its UK operations are conducted by Gresham Assurance Group and Bishopsgate Insurance Limited.

Future Expansion

AMEV is planning in the near future to enter into a full merger with VSB Group, a leader in the Dutch savings market.

AMEV is also currently engaged in talks with AG Group, the largest insurance company in Belgium, with the aim of combining operations to form a single group. This would rank among the top 15 insurers in Europe and would play a major role in the developing European market.

N.V. AMEV, Utrecht, The Netherlands



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Dividend Payment

At the Annual General Meeting of Shareholders held in Luxembourg on May 9, 1990, it was resolved that a dividend of US\$ 2.00 per common share be payable for the year 1989.

The dividend will be payable from May 31, 1990 in respect of bearer shares at any one of the offices of the Company's paying agents on surrender of coupon No 2.

Banco Di Napoli International S.A. U-8. \$150,000,000 Floating Rate Notes due 1991

For the six months 9th May. 1990 to 9th November, 1990 the Notes will carry an interest ture of 8/4% per annum with an interest amount of U.S. interest amount of U.S. \$453.61 per U.S. \$10,000 Note, and U.S. \$11,340.28 per U.S. \$250,000 Note, payab on 9th November, 1990.

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INTERNATIONAL COMPANIES AND FINANCE

Bond Media in eleventh hour battle for funding

By Kevin Brown in Sydney

BOND MEDIA, part of Mr Alan Bond's group of companies, was yesterday given until tomorrow to put together a A\$300m (US\$227m) refinancing

A six-week deadline for com-A six-week deadline for completion of the refinancing expired yesterday. However, a syndicate led by National Australia Bank appeared to have decided to give Bond Media a few more days before calling in a loan facility of A\$380m.

Neither National Australia Bank nor Bond Media would comment publicly on the refi-

comment publicly on the refi-nancing. However, a Bond offi-cial said a final decision would be made tomorrow. A team of Bond Media execu-

tives, led by Mr Sam Chisholm, head of the company's Channel

Nine television network, is on a trip through the US and Europe in a last-minute attempt to complete the refi-

Bond Media is thought to have had talks with a number of overseas television companies, including NBC in the US, HTV in the UK, and TV New Zealand, a state-owned company. The National Australia Bank

syndicate would prefer a com-mercial rescue of Bond Media to a fire-sale in which the company's assets — principally Channel Nine — would have to be sold in the depressed Aus-tralian television market.

several hurdles even if the Chisholm team is able to put

together a deal. The refinance ing would require approval from regulatory authorities, and that could pose problems if a foreign shareholding is envis-

aged.

Bond Media also faces winding-up action brought by Mr Kerry Packer's Consolimr Kerry Facker's Consoli-dated Press Holdings following the failure of a A\$53m bid for Channel Nine by Mr Packer. Consolidated Press claims it

consonated Press Calins it is entitled to redeem preference shares in Bond Media. Worth A\$200m. Bond Media says it is not required to redeem the preference shares because it has made insufficient patifits.

cient profits. The case is due to start in the West Australian Supreme Court on June 1.

Freeze sought on 14.9% of Bell

AUSTRALIA'S National Companies and Securities Commission yesterday asked a Federal court in Western Australia to freeze 14.9 per cent in Bell Group, the media concern, which was bought last week by Mr Robert Maxwell, the UK newspaper publisher. newspaper publisher.
The commission asked the

court for an order preventing Mr Maxwell selling on all or part of the stake until it has completed an investigation of recent share dealings in

Mr Maxwell, publisher of Mirror Group Newspapers, hought the shares from Mr David Aspinall, managing director of Bell Group, a few days after Mr Aspinall

acquired a 16.57 per cent hold-ing in the company.

The commission claims Mr Aspinall's purchase of the shares broke Australia's take-over code because he is an associate of Mr Alan Bond's Bond Corporation Holdings.

Bond Corporation Holdings,
Bond Corporation owns 74.5
per cent of Bell.
Under the code, holders of
more than 19.9 per cent of
shares in a company may not
acquire more than a further 3
per cent without issueching a
full bid.

Mr Rob Bathurst, QC, coun-sel for Mr Maxwell, said the suplication by the commission was "an exercise in futility." Mr Bathurst said it was Mr Maxwell who was being target-

ted by the application, even though there was no sugges-tion of wrong-doing on his

According to Mr Graems
Cantrell, counsel for the commission, solicitors for Mr
Aspinall had told the commission that Mr Aspinall acquired
the shares to prevent them falling into the hands of a potentially disruptive shareholder,
Mr Cantrell said a letter to
the commission from Mr

the commission from Mr Aspinall's solicitors expressed concern that the shares might have been used in a disruptive manner to endanger Bell's business, particularly the West Australian newspaper,

BOC subsidiary rules out dividend

By Kevin Brown

COMMONWEALTH Industrial Gases (CIG), an 87.5 per cent subsidiary of BOC Group of the UK, yesterday announced net profits down A\$60,000 to A\$22.39m (US\$16.96) for the six months to March on sales down 6.2 per cent at A\$312.8m.
CIG said it had decided against paying an interim divi-dend,

The group paid an interim

dividend of 23.5 cents last year, but there was no final divi-"We think that overall we have been pretty fair to our shareholders," said Mr Ken

Barber, company secretary.
CIG explained that the full in not profits reflected the slow-down in the Australian economy and higher interest pay-

The sales figures reflects the disposal of the Cigweld and Bestobell businesses late in the last fiscal year. CiG recently announced a A\$40m contract to build a hydrogen and oxygen plant at a steel plant in Newcastle, New South Wales, oversied by RHP. Australia's operated by BHP, Australia's baggest company. However, Mr Barner said the outlook for the rest of the year was uncertain.

on success by lifting sales 15%

By Hillary Barnes in Copenhagen

LEGO, the Danish toy construction kit manufacturing group, consolidated its position last year as the only Ruropean among the world's 10 largest toy manufacturers, with a sales increase of 15 per cent, according to the annual

report.

The group claimed a rising share of markets in Europe, the US and overseas and said the outlook for 1930 was also promising.

Initiators had been seen off,

mitations had been seen off, said Lego: "For the second year running sales of imitation products have fallen."

The published accounts for the group, which employs a total of 6,252 people worldwide, an increase of 472 over the year, show an increase in pre-tax profits of 24.6 per cent from DKr405m to DKr505m (\$80.2m) on sales which improved from DKr3.24m to DKr3.54m.

Parts of the group are not included in the published accounts, however, including the US subsidiary, Lego Inc., and one of the group's main factories in Switzerland.

In the US, sales increased by 16 per cent in an otherwise stagnant market as new product lines were launched. Sales by imitation products full by 30 per cent, Lego said.

The group made substantial investment in new production capacity last year, with moulding capacity at its main Danish plant increasing by 20 per cent in the first half of 1990 and a new machine tool factory due for inauguration in Switzerland in October.

Equity capital increased from DKr911m to DKr1.25bn. Return on equity was 27.7 per

from DKr911m to DKr1.85bn. Return on equity was 27.7 per cent and on assets employed 16.6 per cent, said the report.

• ISS A/S, the Danish parent to the world-wide office-clesning and building mainte-nance group, has offered to buy the 1.3m outstanding shares in ISS Inc. the US sub-sidiary, it means ISS Inc will can Stock Exchange. Insuffi-cient turnover in the share was given as the reason for the

Lego builds | SA clothing retail chain weathers the spending slowdown

By Philip Gawith in Johannesburg

A STRONG base of account customers and energetic mar-keting allowed Edgars, one of South Africa's largest clothing retail chains, to overcome a slowdown in consumer spending and record a 30 per cent increase in pre-tax profit to R243.Im (\$92.04m) in the year to March 31. Turnever increased 24 per cent to R15bn.

All of the divisions in the group, which is controlled by South African Breweries, per-formed creditably. Edgars, Sales House and Jet increased.

sales by 26 per cent, 29 per cent and 17 per cent respectively. Clothing, footwear, household textiles and accessories are the focus of the group's activities.

The group managed to gain market share as its sales grew 9 per cent in real terms against national growth for the sector of only 2 per cent. Earnings per share for the year were 26 per cent up at 243 cents and the dividend was 24 per cent up at 93 cents. The shares are yield-ing 2.85 per cent against a 3.4 per cent sector average.

Altron bruised by losses at Punch microcomputers

By Philip Gawith

ALTRON, the South African electronics and electrical products group, reported its first drop in earnings in 25 years in the year to February 28 following heavy losses at the Punch microcomputer division.

Turnover increased to R2.63bu (\$999.5m) from R2.15bn, but shareholders' earnings were down 22 per cent at R56.3bu.

Punch Line, which is part of

Punch Line, which is part of Altron's subsidiary Fintech, suffered a R32.5m attributable suffered a RS2.3m attributable loss after a a R22.3m extraordinary loss from the sale of its retail and systems division and rationalisation of its distribution business.

Its difficulties reflect the troubles from which the South African information technology industry is suffering ful-

ogy industry is suffering fol-lowing over-rapid growth dur-ing the 1980s.

Management believes that with Punch Line's rationalisa-tion nearly complete the infor-mation technology group will

reflect a "substantial return to profitability" in the year

Altech, the Altron subsidiary which manufactures and dis-tributes electronic equipment, is recovering from two bad

gen th

The group's attributable earnings were down nearly 6 per cent to RSLSm, but it has RSSm cash and is well positioned to diversify to compensate for deferred Post Office

Better news came from Altech subsidiary, Autopage, which increased earnings by 123 per cent and Powertech, the power electrical arm of Altron, which saw a 30 per cent improvement.

cent improvement.

Altron's directors are confident of improved earnings and growth in the year shead.

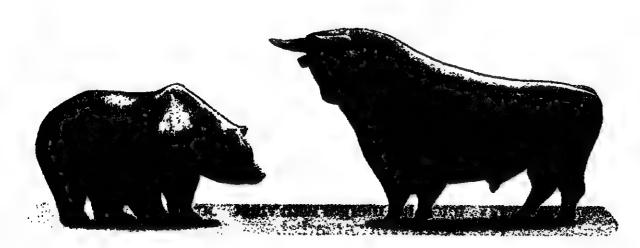
The group is maintaining the dividend at 123 cents per share despite a drop in earnings per share to 305 cents from 406 cents.

Wesfarmers profits fall

WESFARMERS, the Porth-based agribusiness group, announced an 11 per cent fall in nine-month equity accounted net profits to A\$32m (US\$24.15m) on revenue up 14 per cent to A\$1.05m. The fault-

leer, chemicals, gas processing and distribution group expec-ted full-year profit to be in line with last year's record A\$59m. Wesfarmers warned higher interest rates would effect this

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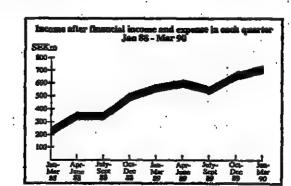
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Royal Tradition

SKF profits continue to increase

SKF First Quarter 1990



January – March 1990	Increase	Swedish Kronor	Sterling equivalent		
Income after financial income and expense	22%	7zim	70m		
Earnings per share	7%	3.70	360		
Sales	13%	7,1120	695m		

In line with the Company's declared long term strategy of continued expansion through acquisition, SKF has already made two major invest-ments in 1990. Cofler, the Italian tool company and Chicago Rawhide, a major US seal manufacturez have given SKF a stronger position in each of

For a copy of the 1989 Annual Report, please contact SKF Group Public Affair S-415 50, Göteborg, Sweden. Tel +46 (31) 371000

microcompu

rs profits

rease

White House pushes

SEC futures regulation

Peter Riddell, US Editor in Washington

the CFTC and ST agency were drop of the extent of by signal opposition

The SEC has are over 10

from the Commodity Futures Trading Commission (CFTC) in spite of strong opposition from the latter and the Chicago

futures' markets.

A fierce fight is likely in Congress since the proposal is opposed by senior members of the Senate Agriculture Committee which has jurisdiction over the CETC. However, the over the CFTC. However, the

over the CFTC. However, the change is supported by the securities industry and the Congressional committees which monitor it.

Mr Nicholas Brady, the Treasury Secretary, has pressed the shift on the view that there should be one regulator of both stocks and stock index futures, which are investments in futures markets linked to the movement of stock prices.

He believes that having two regulators increases both the

Shearson plans

issue of 750,000

SHEARSON Lehman Hutton

Capital plans to issue 750,000 gold warrants designed to yield a maximum return if gold remains within a specific trading range over the next two years, Reuter reports.

The European-style war-rants, which have an indicated

rants, which have an indicated price of \$71.40 and are expected to mature in May, 1992, will yield a 40 per cent return if gold stays within a range between \$360 and \$400 an ounce. If gold fluctuates between \$307 and \$450, the yield will be pegged above the return on two-year US Treasury notes. The average gold price in 1989 was \$381.52.

gold warrants



INTERNATIONAL CAPITAL MARKETS

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chances of volatile market dis-ruptions and of frend.

The administration also pro-poses to give the SEC oversight over futures margins, though more radical proposals to give the SEC jurisdiction over all financial futures and to merge

OM London, an offshoot of

Sweden's automated options market, will become the first investment exchange to offer Norwegian derivative products tomorrow when it starts trad-

tomorrow when it starts trading options on three Norwegian stocks.

The three options will be on
Norsk Hydro, the petroleum
company, Bergesen, Norway's
shipping firm and Hafslund
Nycomed, which is in the pharmaceuticals sector.

Shares in the three companies are traded actively outside
Norway – Norsk Hydro traded
some 89m shares in London
last year.

The Norwegian options will

FT INTERNATIONAL BOND SERVICE

YEN STRAINT Canada 51; 93... Cr.Local Francy Determent 64; 95 Determent 795... L.I. E. 41; 93... Horway 51; 95. Streeter 42; 93... World Bank 51; World Bank 74

FLBATING BATE
BOTES
Alliance & Laic. Bid 94 &
Bank of Greece 99 US.
Belgium 91. US.
Chelt. & Slouenster 94 S.
Credit Founder 98 US.
Dresder Flbancer 99 DM.
Belfigs 20 DM.
Halifax BS 94 &
Inve. in industry 94 \$.

G. M. K. 77: 2000 US.
Latherdre Gry. 53: 04 S.
Land Secs. 54: 02 S.
Mispotta Camera 21: 940 M.
MCA Inc. 55: 02 US.
Mispotta Bill. 31: 04US.
Mext. Plc. 54: 03 US.
Rett. Plc. 54: 03 US.
Rett. 81: 27: 04 US.
Rett. 91: 27: 04 US.
Rett. 97: 28 S.

OML to trade options

be available to be traded on OM in Sweden as well as in London, although the exchange has failed to reach agreement with the Oalo Stock Exchange on a market link for the options. Brokers in Norway will have to trade through OM in London or Stockholm

in London or Stockholm.
OML says it will launch an option on a Norwegian stock index in the second week of

Norway has blocked the development of options on its stock exchange and the London and Swedish exchanges will provide the only institutionalised forum for trading the Norwegian products.

on Norwegian stocks

White House pushes for spreads for Turkish foreign debt the CFTC and SEC into one agency were dropped because of the extent of likely Congres-By Jim Bodgener

in Ankara

sional opposition.
The SEC has expressed con-THE cost of short-term lending to Turkey has become extremely competitive with borrowing spreads narrowing, despite the coast of the season when Turkish state institutions and conversitions tradicern over low margin or deposit levels in futures mar-The administration wants to attach the jurisdiction issue over stock index futures to legwhen Turkish state institu-tions and corporations tradi-tionally roll over foreign debt. As the Turkish current account surplus heads towards \$1hm for 1990, the surplus of foreign exchange has meant Turkish entities no longer islation pending before the Senate on the reauthorisation of the CFTC. This is in effect to

Narrower

of the CFTC. This is in effect to ensure an early decision.

Mrs Wendy Gramm, the recently reappointed chairman of the CFTC, has opposed the change, arguing that "jurisdictional gerrymandering will disrupt our markets — the most effective in the world."

Senator Patrick Leaby, the Democratic chairman of the Senate Agriculture Committee, has said he will urge the Senate leadership to arrange an early debate on the administration's proposals to "vote 'em up or vote 'em down." have to berrow so much expensity. Debt servicing and refluencing needs are lower, while nancing needs are lower, while the country's external credit standing is relatively buoyant.

This year, Turkey will have to find a total \$6.4m for fareign debt servicing, but this will diminish to \$4.5bm by 1994, according to official pro-

A tilota lear for the antiewned Soil Products Office
was recently fixed at 45 basis
points over Libor (London
interbank offered rate),
despite the absence of a Turkish government gnarantee.
However, the general range of
loan pricing appears to be 56
to 75 basis points for
abort-term risk, where only a
year ago it topped 100 basis
points. Similarly, yields for
medium-term lending have
fallen to 125 points over Libor
compared with around 250
points in 1867.
Another encouraging trend,

Another encouraging trend, not without teething pangs, is that the Turkish treasury progressively is giving state bodies more control over their borrowing needs.

For example, Turk Hava Yollari, the Turkish state airline, is attempting to arrange.

time, is attempting to strange financing for the last of 14 Airbuses ordered as part of a fleet standardisation programme. The most recent purchases have been through lease financing, but the airline could return to sizelghi credit now it is over the peak of debt servicing needs.
The withdrawal of central

The withdrawal of central bank and treasury supervision has led to some complaints in world financial centres, such as Lendon, of an until tutions, for example, recently awarded mandates for the same dual to more than one bank, without apparently realising the damage this could do their names as elients in the matter, place.

So for however, the sense in the matter, place.

So for however, the sense in the matter, place, and an increase of 205 per cent, and they way sever do so, if the Turkley Conservation of the State of the second central per central central per centr

the Turkish Government can produce further evidence of pulling the economy round. "For the moment, Turkey's positive foreign exchange cash flow is all that seems to mat-ter," said an Istanbul-based foreign banker.

Chemical Bank downgraded by Moody's

THE credit rating of Chemical Bank Corporation, the New York-based holding company, was downgraded yesterday by Hoody's Investor Service, the international rating agency, which cited worries about the group's fature profitability.

CBC's senior obligations were downgraded from Banz to Banz, Moody's also downgraded several CBC subsidiaries, including Chemical Bank and Texas Commerce Bank. Approximately \$4.55n of low-turn desired by the changes.

The deteriorating sutlook for the economies of north-

for the economies of north-eastern US states was cited as the main threat to CBC's has considerable real estate and highly leveraged loan exposure, although Moody's noted that its portfolios have so far performed reasonably well. The rating agency also and the has a said core iming base and has grudently managed its liquidity.

SBC decides to keep retail unit

SWISS Bank Corporation will not go ahead with the planned sale of its West German retail unit. The Swiss bank has decided to keep and reorganize the subsidiary, Reuter reports.

As part of the restructuring. As part of the restructuring, SBC will inject DM80m into the SB-Lebenamittelbeteilf-gungagesellschaft (SB) and repay DM130m in the bank's debt to German lenders.

SB's main assets are Kafu-Wesmand Hendelson-Bessat and the Gottlieb Handelsys-sellschaft, both retail groups. SBC's acquisition of Kafu-Was-mund led to a probe by the West German cartel author-ties because of SBC's stake in retailer Co. on. retailer Co op.

This announcement appears as a matter of record only.

April, 1990



AFRICAN DEVELOPMENT BANK

YEN 40,000,000,000

Japanese Yen Special Bonds – (DAIMYO) Third Offering (1990)

> Issue Price: 100.5% Coupon Rate: 7.25% Maturity Date: May 9, 1997

> > Daiwa Securities Co. Ltd.

The Nikko Securities Co., Ltd. The Nomura Securities Co., Ltd.

New Japan Securities Co., Ltd.

Sanyo Securities Co., Ltd.

CS First Boston (Japan) Limited, Tokyo Branch

DG SECURITIES Tokyo Burnch of DG BANK

Okasan Securities Co., Ltd. Tokyo Securities Co., Ltd.

Kokusai Securities Co., Ltd.

Universal Securities Co., Ltd.

Dai-ichi Securities Co., Ltd.

Marusan Securities Co., Ltd. Salomon Brothers Asia Limited,

Tokyo Branch Wako Securities Co., Ltd.

Yamatane Securities Co., Ltd.

Yamaichi Securities Company, Limited

The Nippon Kangyo Kakumaru Securities Co., Ltd.

Cosmo Securities Co., Ltd.

DB Capital Markets (Asia) Limited, Tokyo Branch

Merrill Lynch Japan Incorporated, Tokyo Branch

Taiheiyo Securities Co., Ltd.

S.G. Warburg Securities (Japan) Inc., Tokyo Branch

Guaranteed Export Finance Corporation

£ 250,000,000

12%% Guaranteed Loan Stock 2002 guaranteed by HM Government

Interest Rate Swap provided by



Treasury Products Group



INTERNATIONAL CAPITAL MARKETS

wins

global

custody

By Andrew Freeman

CITIBANK, the US cours

accounts

US bonds fail to recover despite interest in auction

yesterday morning ahead of the \$10bn 10-year auction and falled to recover, despite the fact that the sale appeared to have gone well with good com-

GOVERNMENT BONDS

petitive and non-competitive interest.

In late trading, the Treasury's benchmark long bond was quoted % point lower to yield 8.87 per cent while the 8.5 per cent issue due to mature in 2000 was down nearly 1/2 point to yield 8.88 per cent. The average yield on the 10-

year sale was 8.88 per cent. Total subscriptions were \$30.04bn, of which \$659m were non-competitive tenders, a healthy total at a 10-year sale.

The reason for the market's erosion, despite these results, appears to have been due to a combination of factors. Firstly, there was concern that healthy demand at the 10-year sale could detract from the level of

hids at today's 30-year auction.
Secondly, there were reports
that Japanese participation
had not been as large as expected. Estimates suggested that

ted. Estimates suggested that the Japanese took about 20 to 30 per cent of the 10-year auction compared with about 30 to 40 per cent of the three-year sale on Tuesday.

Thirdly, there were reports that the Resolution Trust Corp, which oversees the bail-out of the thrift industry, had dumped some mortgage securities in the 10-year area. This could put pressure on Tressuries in this area of the yield curve, according to dealers who argued that any sale of mortgage securities would be hedged by salling Treasuries. Bonds had already been weak yesterday morning,

weak yesterday morning, partly reflecting a drop in the dollar overnight which had suggested that overseas investors were not stockpiling the US currency to buy Treasuries this week. Dealers had clearly also been trying to boost yields in advance of the 10-year sale.

THE PRENCH band market saw some consolidation yesterday after its recent strong gains as investors worried

US Treasury bonds fell about the threat of a vote of no confidence in the ruling Socialist Government last night.
Some technical charts also
showed the OAT market to be overbought which was another

factor putting pressure on bond prices. Futures prices for the notional 10-year bond that trades on the Matif were at 103.32 at the close of trading after dropping from a level of 103.48 at the market's opening. There was a feeling in the market that last night's censure vote would fall to materialise, but that it has shown a chink in the Government's armour and has cast a shadow while it a small one — over

- albeit a small one - over the long end of the French find income sector.

m Similarly, the German mar-ket eased yesterday after its recent firmer tone. Bunds recent firmer tone. Buttle opened strengly on a spill-over in demand from the Dutch auc-tion where the Government surprised the market by selling only F13hn of paper which was below expectations of F14-6bn. After the initial rush, how-After the initial rush, however, Bunds slipped into a day of lethargy where prices drifted downwards. Investor interest in the long end of the German market has dissipated amidst a flurry of rumour about a new issue of bonds by the German Government.

Many traders believe the Government will bring a new straight issue of bunds to the market within the next week after the recent threaton with floritum with the contraction with floating-rate note issues met a hikewarm reception.
The Duich bond market was

AUSTRALIA

trading strongly yesterday on the back of demand for the new issue which rose above its issue price to 101.05-101.20 in the course of the day.

of it was another choppy day for the UK gilta market as investors tried to find a level ahead of Friday's release of the retail price index. The long gilt futures contract dropped a point to 79.31 towards the close of trading.

The gilts' market euphoria

The gilts' market euphoria over the UK local government elections last week has died and investors feel that yields below 12 per cent at the long end of the market are unjustified given the continued uncertainty about the outlook for inflation in the UK.

Yamaichi Securities, the

Asian Development Bank

CITIBANE, the US commercial bank, announced yesterday that its Edinburgh operation has wen two large global casturance companies. The bank is taking charge of around \$5.5hm of assets for Scottiah Provident and Scottish Widows' pension fund management subsidiary.

The news followed Tuesday's confirmation by Chase Manhattan that it had wen similar business from Standard Life in Scotland and confirms a recent trend by which US banks have dominated castudy appointments from UK (ADB) and several Indonesian concerns are to set up a joint venture securities company in The company, PT Asian Development Securities, with a paid-in capital of 15km rupiah, will be owned 49 per cent by Yamalchi and 14 per cent by

PT Tri Handayani Utama, a subsidiary of the pension fund of Bank Negara Indonesia 1946, the largest and atate-owned commercial bank in Indonesia, will hold 10 per cent and four other Indonesian companies will have smaller shares. PT Asian Development Secu-rities will conduct all-round

US banks have deminated enstudy appointments from UK insurers.

Global custody is a banking product involving asset safe-keeping, transaction settlement and portfolio reporting for pension fund and fund manager clients.

Mr Ian Cormack, head of Citibank's European financial institutions group, said: "Our main aim is to support the internationalisation of the Scottish financial market-place." Citibank now has more than \$700 of assets under costody for Scottish institutions and claims to have wen over \$ per cent of the market in two years.

The Scottish Provident portsecurities business including brokerage and investment advisory services concerning indonesian capital markets. BENCHMARK GOVERNMENT BONDS

01-38 -00/32 18-48 12.96 12.24 86-07 -09/32 12.75 13.11 12.26 80-20 -12/48 11.66 11.34 11.35

8.500 02/00 85-15 -06/32 8.86 9.10 8.69 8.800 02/20 96-04 -14/32 8.87 9.06 8.55

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9.790 05/00 26.4000 -0.100 11.26 11.76 11.56

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NETHERLANDS 7.750 01/00 98.0500 +0.500 8.85 9.12 8.96

years.
The Scottish Provident portfolio consists of \$1.4hm of global assets representing more than half of Provident's managed funds.
In addition, Citthank will be the global coordina for \$4.1bm of funds for the pensions management operation of the management operation of the Scottish Widows.

Merrill to invest in Turkish equities

MERRILL Developing Capital Markets Fund, managed by Merrill Lynch, plans equity purchases in Turkey, Reuter

reports.
The open-end fund may invest some 2 to 4 per cent of its \$80m portfolio in Turkey in the next few months.

Citibank Nomura sees London as Euro-centre

By Richard Waters

European headquarters company in London in the first move of its kind by a Japanese securities house, although others may fol-low suit with still more ambilow soit with sait made anti-tions plans in the near future.

The "Big Four" Japanese bro-leage houses say these moves underline their confidence that London will remain Europe's leading financial centre and indi-cate a desire to put more control into the hands of locally based

Nomma's move involves the creation of a joint venture ser-vice company to handle the innotions of a regional head office. Majority ownership will be in

NOMURA is to set up a the hands of European offices, with Tokyo taking 45 per cent. The company will have responsibility for five functions across the whole of Europe: research, planning, accounting, personnel and legal work. It will not be involved in the group's operations.

have capital of ECU 30m, sug-gesting that its activities may be extended in the future. Nomura declined to comment further on its plans, which were agreed at a menagement meeting on Tokyo on Monday.

While Nomura's headquarters company merely firmatises an existing management structure, of intermediate regional holding

other Japanese securities firms are preparing for more radical changes. Yamaichi, another of the "Big

Four," said that a plan has recently been put forward to its Tokyo head office proposing a London-besed holding company through which all European operations would be owned According to Mr Harno Sato, chief executive of Yamaichi in London, the change, if it is adopted, would further Yamaichi's sim of becoming a truly global securities house, rather than a Japanese one, said Mr

company unattractive, although there may be ways of reducing the disadvantages. For instance, tax would fall due on the transfer of ownership of the subsidps

stal

2060 A P. L

Also, the Tokyo parent would suffer from the tax treatment of dividends paid by the regional holding company - although this could be got round by allowing the European company to retain its earnings to finance

future development in Europe, said Mr Sato.

Another of the Big Four, Deiwa, said recently that it was also planning a London-based holding company for its European operations.

Political fears hit Crédit Lyonnais deal

credit Lyonnals suffered Crédit Lyonnais suffered most visibly as its FFribn five-year deal was pushed outside fees during the afternoon by follow-through sentiment during what traders described as aggressive selling of French government paper. Political uncertainty was blamed for the poor tone and most French franc financial assets came under pressure.

mater pressure.

The bonds were launched with a 10 per cent coupon and priced to yield 68.5 besis points over the 8.7 per cent OAT issue. Rival syndicate officials said this relievance was expressed. said this pricing was generous, but felt that Crédit Lyonnais

but felt that Crédit Lyonnais had not moved quickly enough after opening the deal.

However, the lead manager said it had placed the majority of the paper itself and that the deal would work in time. The bonds were quoted less 2% hid, compared with full underwriting fees of 1% per cent.

The Allines I had market with a £100m fungible

the deal was a fixed-price re-of-

for was quickly discounted.

Traders reported that as much as one third of the issue was asset-swapped to achieve yields of around 30 basis points. over Libor. In a weakening sterling bond market, the

THE TRADING performance of some of yesterday's new issues showed how vulnerable the Eurobond market is to current basis points over the 16% per cent five-year girt and at a % point price discount to the crowled by weakaning government bonds and other recent.

There were pockets of demand for fixed-rate bonds, although syndicate members expressed frustration at the minimal returns available for underwriters. Baring placed around half the deal and J.P. Morgan took a large allocation as senior co-lead manager. Initial confusion about whether most visibly as its FFrihm five
The John 10 year issue is fungithated and subject of the largest outstanding Mathaday deal, making if the largest outstanding Mathaday deal for the European Lavestment Bank. The pean Lavestment Bank. The less 10% per cent to five deal was designed to the crowded five year area of the sector where international investors. Under-writing fees were 1% per cent.

An Ecul50m four-year deal for Toyota Motor Credit Corpo-ration was launched by Pari-ha Capital Markets to a good reception. A mixture of unex-pectedly strong institutional and more predictable retail demand allowed the honds to

The F1 200m 10-year deal came with a 9% per cent coupon and was trading % point inside fees at par bid.

In Germany, Commerzbank increased Tuesday's floating-rate issue for the Kingdom of Belgium to DM400m after improved institutional demand.

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NO A Lebester 2-3(4) \$	100	14%	100.475	1995	18/14	Basing Brothers
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108 m., Kingdom et(c)‡◆	400	alg's	100.10	1995	10/6bp	Commerciank
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LONDON MARKET STATISTICS

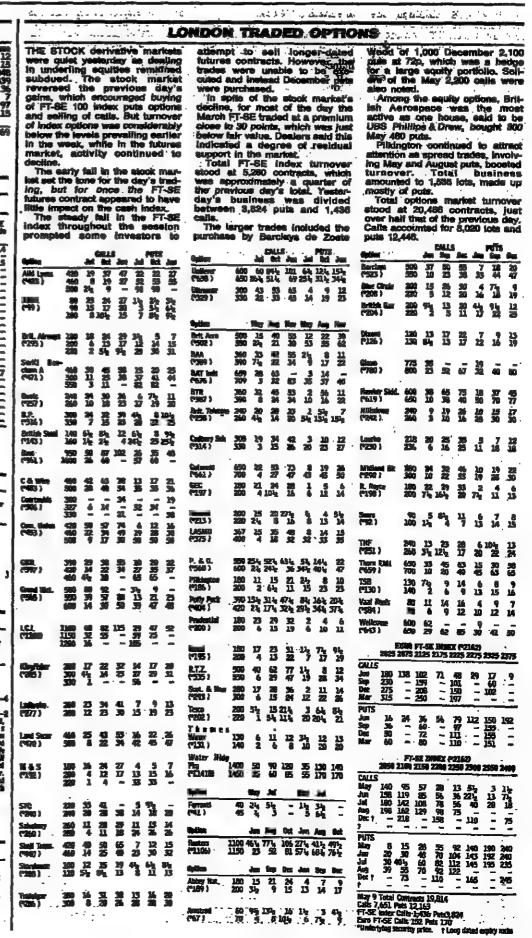
RISES AND FALLS YESTERDAY

EQUITY GROUPS		Weda	estay l		Tot May	Fri May	Fire May	Year 190 (approx)		
A SUB-SECTIONS Figures in perentheses show number of stocks per section	Ho.	Day's Change	Est Earnings Yield % (Max.)	Green Div. Vinke's (Act at (25%)	Est. P/E Ratio (Het)	od adj. 1990 to data	index No.	Indiax No.	lacies: No.	in.
1 CAPITAL G0005 (199)	824.27	-0.6	14.11	5.90	8.58	14.32	828.93	823.68	815.86	958.0
2 Building Materials (27)	1010,46	-0.5	15.70	5.89	7.84	16.86	1015.98	1009.90	996.49	1199.9
3 Contracting, Construction (36)	1289.46	-0.5	18.75	6.36	6.97	31,00	1295.77	1283.46	1278.79	
4 Electricals (10)	2353.14	-0.2	12.04	5.69	10.18	39,90	2356.70			
	1747.88	-0.9	10.32 14.73	4,25 5,27	12.5h	18.56 9.03	1764.29 445.61	1749.48 447.32	1738.75 441.48	2190.8
6 Engineering Atrospace (8)		-0.3	12.49	5.49	9.68	8.17	457.06	456.26	452.04	4.
8 Metals and Metal Forming (6)		+0.3	24.96	6.61	4.52	0.53	470.21	467.35	466.16	542.4
9 Motors (16)	337.60	-13	16.52	6.67	7.08	9.47	347 IR	338.72	335.37	317.9
	IAM M	-0.4	11.92	5.32	9.69	31.01	1503.38		1472.55	
1 CONSUMER GROUP (178)	1181.53	-0.5	10.06	4,16	12.35	10.37	1187.34	1172.48	1164.13	
2 Brewn and Distiller (21)	1389.32	-0.5	10.25	3.97	11.63	12.62	1396.19	1385.36		1334.
5 Food Manufacturing (20)	1029.26	-0.1	10.89	4.58	11.38	14.09	1029.31		1014.38	
6 Food Retailing (26)	2245.83	-0.3	9.70	3.51	13.30	15.06	2253.54	222L.94		2157
	2439.75	-0.8	7.00	2.85	16.01	17.14	2458.28	362.7		2229.
9 Leisure (32)	1317.17	-0.4 +0.8	11.06 13.25	4.52 4.13	11.08	11.66	1322.80 549.50	1309.15	1297.51 542.90	1647.
2 Publishing & Paper (12) 2 Publishing & Printing (16)	7741 49	-0.3	10.60	5.68	11.89	50.01		544.91 3127.59	3095.77	577.J
4 Stores (35)		-0.8	12.28	5.11	10.53	2.12	725.13	711.97	703.00	787.5
5 Textiles (12)	455.89	-0.5	14.76	7.81	8.53	3.77	498.03	61.37	448.86	526.
O OTHER GROUPS (LOS)	1080.71	-0.1	11.75	5.28	10,19			1092.24		1081
1 Agencies (17)		-1.2	6.36	2.55	19.01	12.19	1562.39	1569.29		1317.
2 Chemicals (23)	1169.59	-0.6	12.22	5.64	9.57	25.08	1177.06	1177.46		1233.
3 Conglomerates (14)	1503.50	~0.7	20.70	6.50	10.99	10.73				
4 Transport (1.3)	2104.60	-0.6	11.33	4.68	11.23		2116.71	2107.70		234L
6 Telephone Networks(2)	11071.57	-0.8	11.25	4.78	10.98	0.00	1080.27	1068.11		Ш7.
7 Water(10)	1859.53	-1.0	18.74 12.37	7,28 5,04	5.91	0.00		1853.73		0.9
	1679.49	-0.9			9,22					1467.
	1073.77	-0.6	11.59	4.84	10.51	11.59	1080.31	1070.45		1126
	2202.31	-0.9	12.31	5.48	10,73	36.63		2212.59		
	1167.77	-0.6	11.69	4.93	10.54	13.59	1175 36	1165.45	1154.04	1199
1 FINANCIAL GROUP (110)	757.60	-13		6.03	- 1	18.31	767.33	760.65	747.36	752
2 Banks (9)	805.90	-23	20.45	6.67	6.40	24.92	E2.15	\$18.28	794.82	754.
	1266.10	-0.2	_	5.80	=	34.34	1269.09		1229.98	
6 Insurance (Composite) (7)	1066.61	-1.1 -0.5	8.05	6.49	16.40	19.43 27.41	644.22 1072.43	637.96 1055.40	627.72 1041.18	965.7
	419.19	-0.5	5.10	4.59	10.70	4.85	418.35	427.48	409.45	134
9 Property (48)	1060.54	-0.2	8.34	4.24	15.28	8.07	1063.03		1058.60	1325.1
O Other Financial (25)		-0.8	14.98	7.51	8.73	4.23	299.61		295.22	374.
	1139.70	-0.4		3.36		9.53	1144.18	1139.28		1143
1 Overseas Traders (5)	1278 14	-13	965	7.14	12.69		1294.99		1273.58	
	1068.97	-0.7		5.04				1067.95		13657
	Index	Day's	Der's	Day's	Har	May	Mar	Mar	Mar	Year

FT-ACTUARIES SHARE INDICES

FIX	(ED	NTE	REST	r		AVERAGE GROSS REDEMPTION YIELDS	Wed May 9	Tue May 8	290 290	
PRICE	Wed May	Day's change %	Toe May 8	xt adj. today	xd adj. 1990 to date		Beitish Covernment Low 5 years	12.04 11.44 11.28	12.04 11.38 11.22	9.65 9.26 9.07
British Government 1 Up to 5 years 2 5-15 years	112,99		113.16 116.17	0.08	4.71 4.96	456	Z5 years. Medium 5 years. Coupons 15 years. Z5 years. High 5 years.	13.12 11.96 11.48 13.22	13.07	10.7 9.7 9.2 10.8
Over 15 years 4 Irredeemables 5 All stocks	119. @ 134.69	-0.35 -0.13	119.81 134.87 117.23	- 0.03	4.77 6.12 4.91	9	Coupons 15 years 25 years hredeemables	12.28 11.78 11.34	12.24 11.75 11.32	9.9
index-Linked 6 Up to 5 years 7 Over 5 years	. 143.54 . 134.69	-0.14	143.20 134.88 135.40		1.49 1.38	12 13	Indux-Linked Inflation rate 5% Inflation rate 5% Inflation rate 5% Inflation rate 10% Inflation rate 10% Over 5 yrs Inflation rate 10% Over 5 yrs	4.36 4.12 3.39 5.94	4.45 4.10 3.47 3.93	3.5 3.5 2.4 3.5
9 Ochentures & Legas	94.12	-0.18	94,29	-	3.30		Dels & 5 years Leans 15 years 25 years	16.17 13.99 13.68	16.02 13.89 13.66	12.2 11.5 11.1
Preference			73.76	11 200 21	2.07		Preference	12.58	12.59	

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UK COMPANY NEWS

Currency gain helps Jefferson Smurfit to I£246m

By Maggie Urry

JEFFERSON SMURFIT, the Irish-based paper and packag-ing group, reported a 4 per cent rise to I£245.52m (239.3m) in pre-tax profits in the year to end-sanuary, a period when the group recapi-talised the bulk of its North

American operations.

Mr Dermot Smurilt, joint deputy chairman, said the results compared favourably with many North American paper groups which had seen sharp falls in profits and would do so again in the current year. rent year.

rent year.

Over half Smurfit's profits come from North America. He said that without benefits of currency translation, which added about \$11m (£6.6m) to profits, and acquisitions, group profits would have been down. The shares rose 13p to £42n.

643p.
Turnover of businesses Turnover of Dusinesses owned by the group rose by 21.2 per cent to I£1.66bn, but total sales managed by the group, including associate companies, were

associate companies, were nearly E4hn.
Fully diluted earnings per share were 51p (47p) and the final dividend is raised by 7.5 per cent to 3.237p to give a total of 4.7p (4.372p). There was an extraordinary gain of 15327.3m from the recapitalisation of the North American activities.

*D:55UE5

Mr Smurfit said this restructuring would have a significant effect on the profit and loss account in the current year, making the company look smaller.

The group had had a 78 per cent-owned subsidiary, Jefferson Smurfit Corporation (JSC), which in turn had a half share of Container Corporation of America (CCA).

The restructuring had resulted in JSC and CCA merging and Smurfit holding a 59 per cent stake in

The move, completed last December, was similar to the group's original leveraged purchase of CCA in 1986 which had been a success. Mr Smurfit said "Not all debt is bad if you use it properly. And we think we have used it very well."

However, as a result, the group's trading profits in the current year will fall. But the deal meant that Smurfit had not cash of 164643m at the year's not interest charge of 1531.91m (1£19.58m) there would be a desable interest would be a sizeable interest receivable in the current year,

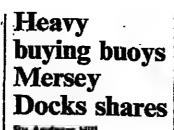
would be a disable interest receivable in the current year, Mr Robert Holmes, chief financial collect and.

Mr Smurfit said the restructuring would mean that the company "should be a gainer at the net, net level" in spite of a drop in trading profits. He said earnings per share in the current year would beat the paper and packaging industry average.

The group's North American business increased trading profits by 9.3 per cent to IE172.82m, which Mr Smurfit said was commendable given weak markets. He said the company would benefit from being a leading producer of newsprint made with a high proportion of recycled fibre as US states introduced minimum recycling laws.

Profits from Letin American were little changed at IE58.58m as a significant decline in profits from Venesuela was offset by the company buying out the minorities in the Mexican and Colombian businesses. Mexico also had a record year.

Irish profits rose by 6.5 per cent to IE16.02m, but UK profits fall by 36 per cent to IE16.02m, but UK profits fall by 36 per cent to IE16.03m, Profits from other European subsidiaries were up 74 per cent to IE16.03m, helped by acquisitions. Mr Smurfit said the group planned to even up its geographical balance with merging and Smurfit holding a 50 per cent stake in the resulting business, which had equity of \$500m and debt of \$2.6bn. This allowed Smurfit to take \$1bn in cash out of the North American busi-



SHARES IN Mersey Docks and Harbour Company jumped nearly 30 per cent yesterday, from 156p to 202p. Barclays de Zoete Wedd, the principal securities house involved in purchasing the stock, refused to comment on the identity of the buyer or buyers. "All I know is that we were paying 199p for as many shares as we could get," said one BZW broker. BZW was said to have bid for about 1m shares, nearly 2 per cent of the equity.

per cent of the equity.

Mersey Docks said it had
no comment to make on the no comment to make on the leap in the share price and no immediate intention of making a statement. At 202p the whole company is worth just over £121m.

Peel Holdings, the quoted property company which owns 10 per cent of Mersey Docks, said it was not buying or selling in the merket was

Docks, said it was not buying or selling in the market yesterday.

Mr John Whittaker, Peel's chairman, controls the Manchester Ship Canal Company through a private vehicle, and made a tentative approach to Mersey Docks in 1987, through Peel.

He was deterred from making an offer by the high level of debt at the Liverpool company, which owns much of

pany, which owns much of the city's revived docklands. But last May the Govern-ment, which owns a 20.67 per cent stake in the Liverpool company, agreed to write off £110m of repayable grants and £1.5m of loans. There has been consider-

able speculation about the future of the Government's stake, acquired in 1970 after the collapse of the Mersey Docks and Harbour Board. Mr Cecil Parkinson, the Transport Secretary, told Par-liament in February that it would not be appropriate to sell the shares while there was a Department of Trade and Industry inquiry going on into possible insider deal-ing in Mersey Docks shares. The Government had said



Protests from Dick Brooks (left), general manager, and Chief Gaiashkibos, of a Chippewa band of Indians, about the possibility of a mine being developed on American Indian land in northern Wisconsin, enlivened the RTZ Corpora-

enlivened the RTZ Corporation's annual meeting in London yesterday, writes Kenneth Gooding, mining editor.

Other protests came from a man who has seen a 712-metre exploration trench dug just outside his home in County Omagh, Northern Ireland, and there were questions about health and safety at the company's Rössing uranium mine in Namibia and about its Capper Pass smelter near Hull, an area where the incidence of cancer is higher than average.

All this completely overshadowed the announcement by Sir

owed the amouncement by Sir Alistair Frame, chairman, of a considerable financial coup by the world's biggest mining

group.
Presentations to the two
credit-rating agencies in the
US, Standard and Poor's and
Moody's, resulted in RTZ being

rating for its short-term debt and a "double A" rating for long-term debt by both organi-

ations.

This will enable the group to embark immediately on a \$2bn (\$1.2bn) US Commercial Paper programme. There will be an initial issue of \$1.3bn of paper — short-term promissory notes — to refinance part of the \$3.1bn debt raised for the acquisition last year of most of British Petroleum's mineral assets.

Mr TJ Lighterness, deputy finance director, said that the all-in cost of these new borrows in the party liber. ings would be below Libor (London Inter-bank Offered Rate) while at the moment RTZ was paying Libor plus 30 to 40 basis points in interest

The Commercial Paper will be issued by two US subsidiaries and guaranteed by RTZ which has covered its potential obligations by putting in place individually with a number of banks four-year financial facilities, extendable by another three years.



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Manufacturers Hanover Limited

Crystalate incurs £0.9m loss

CRYSTALATE Holdings, the electronics components concern for which TT, the industrial holding group, has made; company said it was confident of an improvement in performanced it had planged in a 2997,000 loss in the half-year. The result, which compared with a \$2.29m profit last time, had been expected. The shares, reduced following the disposal to manufacturing facilities of the interior divided.

The result, which compared with a \$2.29m profit last time, had been expected. The shares, reduced following the disposal to manufacturing facilities.

2225,000 above the line surplus on disposal of property, but net

MAY 1990



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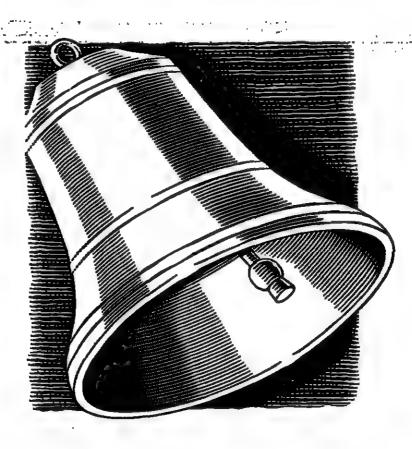
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UK COMPANY NEWS

SmithKline dips 7% in first quarter

SMITHKLINE Beecham, the Anglo-American pharmaceuticals and consumer goods com-pany, said yesterday that, in spite of a 7 per cent fall in pre-tax profits for the first quarter of 1990, underlying prospects for the business were

Taxable profit for the three months ended March 31 1990 was £219m, compared to £235m in the corresponding period of 1989. Sales increased by 16 per cent to £1.3bn, from £1.12bn last time.

The company, the world's second biggest medicines business, was formed last July from a merger between Bee-cham of the UK and the US's SmithKline Beckman. In line with the drop in pre-

tax profit, earnings per share declined 12 per cent from 12.3p to 10.8p over the period. Mr Bob Bauman, chief executive, said at the operating level the performance of the com-pany was "excellent". The results had been boosted by a combination of the sales forces from the two previously sepa-

Mr Bauman expected a further strong performance later in 1990, particularly in pharma-The shares closed in London

at 472p down 6p. Although analysts were cheered by a 39 per cent growth in trading profits in SB's prescription-pharmaceuti-cals division, which rose from £130m in the first quarter of last year to £181m, they were disappointed by the performance in the company's con-sumer-brands unit.

Profit at an operating level for consumer brands declined 13 per cent from £47m to £41m. SB said the decline could be explained partly by high costs associated with increasing its advertising related to con-sumer products.

At a pre-tax level, the results were affected by large interest charges arising from the costs of the merger. SB hopes to reduce its borrowings over the next two years, partly due to a programme of cost-cutting. It also sims to sell its Euro-

pean coametics operations in a disposal which could fetch about 2300m. Since the merger, the company has sold several businesses which it says do not fit into its portfolio. fit into its portfolio.

Reflecting the high borrowings, the company paid £55m in interest in the first quarter of 1990, compared with £4m last time. Total net borrowings for the company at the end of March stood at £1.47m compared to £1.74m three months earlier.

At an operating level, profit from SB's continuing operations for the quarter came to \$246m, up 25 per cent on the \$197m in 1989. Sales from continuing activities rose by 19 per cent from £972m to

The company is paying a dividend for the quarter of 3.4p per share and 37 cents per US per space and at cems per us equity unit, this latter unit being held mainly by American investors. These figures compare with a dividend for the whole of 1989 of 5.2p per share and 55 cents per US equity

Besides prescription-pharma-ceuticals, animal health was another division of the com-pany which performed well. Trading profit increased by 36 per cent to £15m (£15m). The company's small clinical testing division registered a profit of £3m for the quarter (£9m).

Brent Walker beats City forecasts

By David Churchill, Leisure Industries Correspondent

BRENT WALKER, the leisure and property group, yesterday failed to boost confidence in the leisure sector in spite of better-than-expected financialresults for 1989.

The company announced pre-tax profits of £82.2m, well ahead of analysts' expectations of about £70m, and 97 per cent of the £41.7m and £41.7m

initial City reaction was buoyant with the shares rising 130 to touch 315p. However, by the close, most brokers were less sanguine - the shares fell 7p on the day to 295p. Other leisure shares were largely unaffected by Brent Walker's figures. Mecca

Leisure, for example, closed 1p down at 58p.

It had been Mecca's poor results last mouth that sparked a significant downrating of all leisure shares.

Brent Walker had originally planned to appears to appears the planned to announce its results next week but was forced to bring them forward because of intense speculation that they would also be below

market expectations.
The City's failure to respond, however, is under-stood to have upset Brent Walker's senior management, including Mr George Walker the company's chairman. He said he failed to understand

said he failed to understand the City's rating of the com-pany's shares, especially since assets per share were £10.13p. Brent Walker's results were complicated by the wheeling and dealing over the past year which characterises Mr

Walker's management style. The results, for example, include a contribution from distiller and distributor acquired from Lourbo in late. 1988 for £180m. This helped Brent Walker's drinks division contribute £62.7m of trading profit against 25.8m in 1988. Brent Walker, however, is in the process of selling Whyte & Mackay to Gallaher, the UK subsidiary of the US tobacco

group American Brands, for \$160m. In addition, Brent Walker has also sold the French vineyards acquired from Lourbo at the same time But the Brent Walker fig-tres only include two and a half weeks of trading from the William Hill betting shops acquired late last year from Grand Metropelium in a deal worth 2585m.

Total turnover last year Total turnover last year jumped to 2526.03m (£128.94m) as a result of acquisitions. The dividend is being increased from 11p to 15p, with a proposed final of 10p. The company said that it had reduced gearing over the year from about 150 per cent to 92 per cent at the year end. Mr Walker indicated that asset sales underway, including the sales underway, including the sale of Whyte & Mackay and a management buy-out of the Goldcrest film operation for about £80m, would lead to total esset disposals this year of between £200m and £250m. Brent Walker said that most of the company's loans were fixed at an average interest

rate of 9.7 per cent. City reaction also reflected a concern that the company remained vulnerable to less disposable income being available for consumers to spend on leisure. Mr Brent Walker's leisure developments — such as marinas and holiday villages — in the UK, continental Europe, and North Africa achieved £22.9m (£16.6m) trading profits on turnover up from £31.2m to £75.9m. The hotels division achieved profits of £31.2m (£21.5m) on turnover its of £31.2m (£21.5m) on turn-

over of £122.6m (£75.5m). Mr Walker said that the company planned to add several hundred more public houses to its portfolio to bring it up to the 2,000 level favoured by the Monopolies and Margary Commission He and Mergers Commission. He also believed there was scope for expanding the betting shops operation in the north of England and on the Continent. See Lex

MAES Funding No. 2 PLC

2300,000,000 Mortgaged Becked ting Rate Notes due 2017

Notice is hereby given that the Rate of Interest has been fixed at 15.40% for the Interest period 8th May, 1990

to 8th August, 1990. The Interest amount payable on 8th August, 1990 will be £2,895.71 in respect of each £74,600 Principal Amount Outstanding of each Note.



Haunted by the structure

David Owen looks at B&C's loan stock position

T A PRESS conference A last month Mr John Gunn, British & Com-monwealth Holdings' chief monwealth Holdings chief executive emphasised that the troubled financial services group's debt of about fibn "is not our Barclays High Street Kensington overdraft." The average life of the debt, he said, was "a bit over 12 years" and the exercise course "a bit and the average coupon "a bit over 10 per cent."

Mr Gunn's remarks were widely interpreted as en attempt to sound a note of reassurance in a meeting which had amounced the summoning of administrators to Atlantic Computers and the suspension of trading in B&C

shares.
Since them, however, the structure of the group's debt burden has come back to haunt it. Demands for repayment by helders of £320m worth of 7% per cent convertible subordinated unsecured loan stock (CULS) may yet scupper the group's survival plan and push it into liquidation.

At a private meeting on Tuesday, holders of an unspecified proportion of the CULS undertook to write to the security's trustee to demand repayment. Under the covenants of the stock, were holdens of 20 per cent of the CULS to do so, B&C would be asked to repay the entire issue at par, or face the prospect of summary liquidistion.

crete undertakings were received from holders of 20 per cent of the CULS. Agreement in principal was, however, received from a much broader cross-section of those present, they say. Were all who sigmailed their consent eventually to contact the trustee it is generally recognised the demand for repayment of the issue could be triggered.

The trustee, Law Debenture

The trustee, Law Debender.
Trust Corporation, last month
certified that events had
occurred that were materially
prejudicial to the interests of
the CELS-holders - hence clearing the way for default to be
deduced but sold that it did
not presently intend to do so.
On Tuesday, Law debenture
appointed Royal Exchange
Trust as its attorney to ever-

appointed Royal Exchange Trust as its attorney to exer-cise independently the duties of the trastee under the deed constituting the CULS. The body feared that its responsi-bilities to the holders of other B&C securities which fail. create a conflict.
The discontent of the CULS

holders arises in essence from their position within B&C's hierarchy of creditors. This is below just over £700m of bank debt, bonds and unsecured loan stock, but above £164m worth of redeemable preference shares from Caledonia Investments and approxi-

large US property portfolio.

The doldrums of the Manhattim market led to the company's current difficulties, accounting for extraordinary provisions of £49m last year alone, and put it in the firing line for a possible takeover

line for a possible takeover

According to individuals mately \$150m of other prefer-present at the meeting, it is ence shares. The securities highly improbable that conheld by Caledonia were ence shares. The securities held by Caledonia were received in 1987 in part-pay-ment for the sale of most of the group's \$1.8 per cent stake in

CULS bolders are concerned. however, that the Caledonia securities might skip above them in the creditors queue. This might happen, they fear, either if B&C were kept running as a going concern - in which case, the next 282m tranche would be due for payment to Caledonia on Decime ber 31 - or if the group declared its inability to meet its com-mitment - in which case the preference shares would be effectively sold to a syndicate of banks who have guaranteed

Under the latter scenario, some CULS holders believe, the banks might agree to buy the preference stock at par if Caledonia allowed them to draw a loan against B&C in order to pay it the money. The banks would then have "a loan situation with B&C" and perhaps a higher position for the £164m in the creditors' hierar-

chy, the holders allege.
Liquidation is the drastic remedy apparently advocated by some CULS holders to forestall any prospect of this happening. Whether this indeed content to make your strainly comes to pass now probably depends on their level of sat-infaction with B&C's survival plan - expected later this week.

Beristord did not say how much Mr Zockermon would be

paid for leaving. His maximum entitlement is believed to range up to 210m, but the mat-ter is still under negotiation. At the annual meeting in

March, Mr Zuckerman's pen-

*3 -2

Trafalgar House checked by property market

GROWIH AT Trafalear House. the shipping, property and construction group, was held back by the weakening UK commercial property market in the half-year to end-March.

The company still managed to increase profits from 2113.8m to £116.9m before tax, but operating profits at Trafal-gar's largest division, property and investment, slipped from

£82.7m to £67m_ The volume of house sales through Trafalgar's Ideal Homes subsidiary was also lower - down from 1,900 to 1,400 units in the first half -although the company said underlying demand was still

Group turnover rose to £1.68bn (£1.42bn), but property and inventment sales declined

from 2347.4m to £224.6m.
Shares in Trafalgar, which
owns the QE2 and London's
Ritz Hotel, slipped 7p to 283p in
a weak market.
Earnings per share rose from
18p to 18.5p in the half-year
and a 10 per cent increase in

the interim dividend to 8.8p (8p) is declared. But the company's attributable profits actually fell to £77.7m (£87.5m) after an extraordinary charge of £15.2m (£2m) relating to the closure of two structural engi-

neering plants, Meanwhile, construction and engineering, which is still facing strong competition from other international groups, made £34.4m (£23m) in operating profits and improved mar-gins slightly on sales of £1.12bn (£782m). The division's order £2.5bn, compared with £1.75bn

The shipping and hotels operation also pushed up margins — from 6.5 per cent to 9 per cent — with operating profits of 230.2m (£18.9m) and turnover of 2337.6m (£291.8m). Borrowings stood at £496m (£513m) at March 31, or 56 per cent of shareholders' funds. Interest and finance charges were alightly higher at £14.7m (£10.8m).

Bunzl chairman withstands resignation barrage

By Vanessa Houlder

JAMES White, chairman and chief executive of Bunzl, yes-terday withstood shareholdat a turbulent annual meet-

ing. Mr Alan Diamond, a shareholder, fired the opening salvo saying he viewed the 1989 profits declina from 593.3m to £65.4m and the chairman's £30,829 salary increase to £420,415, with "dis-belief, dismay and disgust". Mr Diamond called on insti-

tutional investors urgently to seek a new chief executive. Too much corporate power

in one pair of hands has proved too expensive," he

oed by Mr Richard Allan, another shareholder, who called for an injection of fresh blood at board level and suggested that Mr Diamond might take the post of non-executive director.

Another shareholder, Mr David Holland, compared the situation with a political or military one, where if policy proved to be misguided "the decent thing to do would be to In response, Mr White said "If I have left anyone with the impression that anyone on the board is happy with this situation, you have been mis-

Mr White said that in 28 months between 1983 and 1988 the company had been hyperactive, acquiring too many companies in too many busi-

in particular, he regretted going into the transportation business, which he admitted cost the company £106m. "We did not fully understand the strength and the depth of the

Kleinwort Benson -

competition we would

When challenged about his salary, Mr White said it had been decided when the renu-meration committee had access only to the 1988 results. He said he would take on board" the view that he should not chair the renu-meration committee, although he described his role as an

administrative one. A move to express diseatisfaction by voting against the reappointment of certain board members was quashed by a show of hands.

We advised

Nippon Seiko KK

on its acquisition of United Precision Industries Limited

TATELYLE

Tate & Lyle PLC

on the disposal of

its Unitank

bulk liquid storage

Zuckerman quits Berisford

By Clay Harris, Consumer Industries Editor

BERISFORD International yesterday cut another link with the Ephraim Margulies era when it announced the resignation of Mr Howard Zucker-

usan as chief executive of its.
US subsidiary.
His immediate departure, a long-standing demand of Berisford's critics, is unlikely to relieve the pressure on the company, which owns British Sugar as well as other agribus

ness, financial services and property holdings.
Mr Zuckerman presided over Berisford's accumulation of a

BOARD MEETINGS

of hours' meetings, to the Block Exchange, Such resettings are usually held for the per-pase of sometings are usually held for the per-pase of sometings dividends, Childrel India-tions are not available as to whether the thirdness are inserting or fleats and the qui-dictions shown before are based seating on last year a tirrelability.

sion arrangements were strongly criticised by Associ-ated British Foods, a 28 per Mr. Zuckerman's days had been mumbered since early March when Mr Marguilles, Berisford's keig-time chairman and the man who brought him on the board, resigned under The index-linked pension was based on 100 per cent of his final salary and applied regardless of the circum-stances of his departure. pressure from institutional

DIVIDENDS ANNOUNCED In 4256 July 19 ht 275 July 3 In 1011 July 3 in 18 July 19

Strength across

borders

Pullman Company

We advised

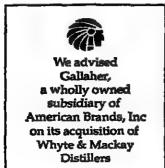
Pullman on the sale

of its European

interests to

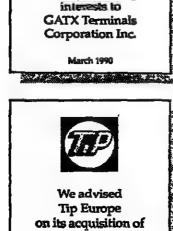
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February 1990 G PECCHANICAL VIEW







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((As we enter the 1990s, our objective of continuing to generate superior performance is encounteged by our excellent results for the past year.)) Gerry Scanlan Group Chief Executive

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AIB achieves record pre-tax profits of stg £229m - 52% up on last year Total assets increased to stg £15.4 billion

EPS up 39% to stg 23.6p Final dividend of seg 4.10p, giving

stg 7.24p for the year Britain - strong performance profits up 23%

First Maryland Bancorp = 25% annual compound growth in profits for past 6 years

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Berisford

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SUMMARY OF RESULTS

	Year ended	Year ended
	19th January 1990	13th January 1989
	(53 weeks)	(52 weeks)
	£m	£m
Turnover	102.45	94.25
Profit before Tax	5.51	7.42
Front after Tax	3.65	4.90
Earnings per share	3.88p	4.97p
Dividends per share	1.15p	1.07p

The Chairman, Anthony Vice, reports:

- Sales exceeded £100 million for the first time, but in a highly competitive environment profits declined.
- Total dividend up 7.5% to 1.15p.
- Acquired Maydella Manufacturing Company Limited. substantially enlarging the Group's childrenswear business.
- Capital expenditure continued at a high level to keep your Group in the forefront of innovation and development.
- Prospects are hard to assess. Group sales have shown a further increase so far in the current year.

The Annual General Meeting:

tedli be hold in York on Friday, 15th June 1990. Copies of the Anneal Report we available from the Company Securitary, Dewhitst Group pic, Dewhitst House, We Oxifield, North Humberside, YO25 77H. Telephone: 0377 42561.

GROUP plc

UK COMPANY NEWS

Dry cleaning group's shares fall 30p as market digests warning

Panel seeks Sketchley explanation

By Clay Harris, Consumer Industries Editor

SKETCHLEY shares slid 30p to 205p yesterday as the stock market digested the dry cleaning and vending group's warning that its final dividend was at risk because profits had failed to match a forecast made during two recent takeover

It is believed unlikely that Sketchley will report any attributable profit for the year which ended on March 30.

which ended in march 30.

This reflects the impact of Sketchley's belated discovery of certain "under provisions," the costs incurred in its successful bid defences, and payments to four executive directors are left the groun of tors who have left the group or have been given notice. Hoare Govett, Sketchley's broker, said it was unable to

make any meaningful estimate of the 1989-90 result. The Takeover Panel confirmed it would be asking NM Rothschild, Sketchley's mer-chant bank, to explain why a profits forecast made on March

i, and repeated a month later, had so quickly been proved rrong. Under the Takeover Code, however, a company's direc-tors are solely responsible for a profits forecast, whatever letters from an adviser or ccountant appear in official

There were strong indications from several sources close to the company that Tuesday night's surprise announcement that pre-tax profits would fall "materially short" of the 56m forecast did not reflect the uncovering of

Rather it suggested that Mr John Richardson and Mr Tony Bloom, Sketchley's new execu-tive directors, wanted to take a more prudent view than their predecessors. A lower starting point would also magnify the recovery they hope to achieve. Neither man was party to the original profit forecast, and both were unavailable for comment vertenity.

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Of the six directors who approved the forecast, four executives have now left the company or hear given notice. The two surviving non-execu-tives are Mr. John Gillam, a retired merchant banker who is now chairman, and Mr William Shively, a retired adver-

In the wake of the Guinness affair, the Takeover Panel underlined to non-executive directors that they were equally responsible for a company's conduct during a hid.

When Sketchley made the sorecast, which compared with 1988-89 profits of £17.3m, Godfrey Davis Holdings, the car dealing and laundry group, withdrew its hostile offer. Statchley that with the some



figure during its subsequent successful defence against a It noted then that the fore-cast did not include \$1.2m of defence costs during the God-frey Davis offer or any pay-ments to be made to Mr Malcolm Glenn, the former

Under his service contract, Mr Glenn could receive up to

three directors who were given notice on Tuesday could receive a total of \$870,000. To these figures must be added the undisclosed cost of the defence against Compass. Sketchley had already fure

cast an extraordinary charge of \$2.3m for rationalisation costs, and its sam above the line fore-cast included the £2.2m excep-tional benefit of sale and leaseback of its Milton Keynes

SD-Scicon abandons talks with French software house

TALKS RETWEEN SD-Scicon. one of the UK's largest computing services companies, and Sligos, a leading French computer software and systems company, that could have led to extensive collaboration between the two have been abandoned, it was announced

yesterday.

Officially, the companies are saying that the possible areas of collaboration do not justify a long-term strategic alliance. Unofficially, it is believed that Sligos and Credit Lyonnais, its principal shareholder, are con-cerned about the fate of the 25 per cent shareholding in SD-Scicon held by British Aero-

BAe undertook two years BAe undertook two years ago neither to increase nor dervise its chareholding until last month. Now the deadline is past, its intentions remain unclear. The investment in SD-Scieon was made by the previous BAe management, it is understood that the present management helleves there is management believes there is no logic in holding a 25 per cent stake.

It is not certain, however, that BAs intends to sell its shares. Analysts believe it is considering joining with another, as yet unnamed, company to bid for the whole of SD-Scicon. From BAs's point of view, the logical partner would be a computing services com-pany which would take SD-Sci-con's commercial software operations leaving its defence activities in the exception com-

peny.

Mr Philip Swinstead, SD-Scicon group chairman, said yestenday that relations with BAs.

consulted about any decision, that BAe could not guarantee to remain "friendly" in its otiations over its shareholding and that a decision was likely within weeks rather

Mr Swinstead said he was disappointed about the collapse of the talks with Sligos, which could have led to a range of possibilities from cross share-holdings to a rationalisation of the two companies' activities in France. Once BAe made its move, it was possible that dis-cussions would be started

Mr Gerard Bauvin, Sligos chairman, said yesterday that BAe's stake in SD-Scicon had been a factor in his company thinking, but the essential point was the absence of strong enough co-operation prospects to justify a formal link between the two compa-

He said they had hoped to find more possibilities for pooling their resources, for exam-ple by sharing products or such as industrial and defence

The European computing services business is in a state of flux with a number of companies trying to achieve criti-cal mass through mergers and

equisitions. The leader is Cap-Gemini-So The seaser is Cap-Gemini-So-geti of France, which has been pursuing a vigorous acquisi-tion strategy. It holds over 30 per cent of sema, the Angio-French company, and is thousant to have hid warnesses. thought to have bid unsucce fully for Hoskyns of the UK put on the market by GISC and Siemens following the Pissesy

Japan's leading corporate bank expects cross-border partnerships to help shape global business growth

IBI's recent top ranking in both overall banking service and M&A advice (in a Japan Economic Journal poll of accounting and finance managers at 1,825 publicly traded Japanese firms) is based on some obvious strengths—including its assets of close to \$300 billion. But behind that financial power is something equally essential to success in global markets. That something, according to Indashi Natori, IBJ director and general manager of

IBJ's London Branch, and Hiroshi Nakamura, IBJ director and general manager of the Investment Banking Department at the head office, is "product and relationship banking."

In its home market, IBJ counts roughly 90 percent of Japan's 200 leading companies among its clients. Now, with offices in nine major European business centres as well, plus its operations in the United States and a number of Asian capitals, IBJ is forging new global relationships.

With European market unification coming, in 1992, and the possibility of East-West economic cooperation in Europe," says Tadashi Natori in an interview at IBP's London Branch, "we are going to strengthen our links to local banks and back those ties with our global strength, product innovation and skills.

IRFs London Branch, which oversees European operations, is active in aircraft leasing, treasury products, project financing and real estate investment, but there is also strong emphasis on M&A. The M&A team at London Branch. headed by William Hurley, has been very active in identifying good opportunities in Europe for IBI's Japanese clients as well as providing a full advisory and evaluation

"It has only been three years since M&A began to be recognised widely in Japan, but many Jananese companies now see it as a key part of their strategy," says Hiroshi Nakamura in Tokyo.

Both sides should "win"

The last two years have seen 40-50 percent growth in M&A deals involving Japanese firms, Nakamura sees slower but stable M&A market growth in the 1990s as more companies, small and large, move to position themselves in regional and global markets.

Inside IBJ, a regular series of two-day internal seminars in London, the next of which will focus on M&A, as well as regular visits by teams of head office experts keep the bank's European and home office staff in close touch with trends worldwide.

Both Natori and Nakamura are keenly aware of one particular danger in the current worldwide M&A boom.

"Some cross-border bids," Natori points out, "still can trigger powerful national emotions." IBJ-style M&A, both executives

say, seeks "win-win" deals.



Tudashi Natori

"We're not interested in 'mones games,' chasing big bids and hostile takeovers," Nakamura declares. "Our goal is to help our clients build solid strategic alliances."

It's not enough just to find a promising takeover target for a client, he adds. IBJ managers study each M&A deal from many perspectives-not only to establish what is best for the companies involved, but to gauge the probable impact on the local community or country where the new venture will be operating.

The key to a "win-win" deal, Nakamura says, is to look for companies with complementary strengths and needs in production technology, marketing know-how and financing.

The work starts in the field, where IBJ teams identify companies interested in a merger or acquisition. Most of the research on a deal is done in Tokyo, where IBJ has both extensive contacts in the Japanese market and one of the most respected industrial research divisions in the banking world.

The philosophy behind the merger or acquisition, Nakamura says, is just as important as the ability to close the deal.

"Some people regard M&As as de facto 100-percent takeovers," he explains. "We don't think that way. When we look at a potential deal, the first question we ask is: What is best for both sides?""

Quite often the answer is a minority equity position by one side.

Keeping management in place

A European company which wants to grow beyond its local market, for example, may not be able to do so without a capital infusion. Many Japanese companies, incaperienced in European markets, actually prefer to take a minoriinvestment position first, Nakamura says, "as a way of get-

ting to know the market." That also achieves another IBI goal-making sure that competent managers are kept in place, and not swept aside after a merger or

A client, Nakamura says, is like a lifelong friend. "If you look at a business relationship that way, there is only one way to think or plan-very long term."

Even though most of its M&A business thus far has involved Japanese companies, IBJ is seeking more deals like one Natori points to, a deal in which the bank is helping General Motors, Volkswagen and East Germany's automotive industry forge a new relationship.

"Our historical role since we were founded in 1902 has been to help Japanese companies grow," says Nakamura, "but with a truly global economy developing, our area of interest must be wider."

Another deal which underscored this philosophy was the joint venture which IBJ helped structure between Virgin Music Group in Britain, and the Fuji Sankei Communications Group in Japan. This alliance, which merged Virgin's recording talent with Fuji Sauker's marketing power in Japan and Asia, stands to

profit both communies. The multiple benefits of the bank's cross-border deals include another advantage-access to the Japanese market itself.

"One of our M&A goals is to help foreign companies expand their investments in Japan," says



Biroshi Neksusum: Bu Director and Control Manager of the

The high price of land in Japan, cross-share holdings among Japanese companies and a general reistance to takeovers of any kind make such deals difficult, he admits, "but problems of this type are not so uncommon either in European countries. The point is that despite the difficulties, there are investment opportunities in

Creating M&A opportunities in Japan

The leading sectors in which opportunities Nakamura says, are medical instruments, auto parts, machinery of all types and chemicals.

The advice Nakamura offers foreign firms is the same that he gives to Japanese seeking M&A deals abroad.

"A minority equity position or a 50-50 joint venture" he says, "still offers many merits, including instant access to the market through the Japanese purtner's know-how and its distribution system."

Nakamma sees special M&A opportunities among family-owned companies in both Europe and Japan which were formed after World War II and which now have no family successor.

On a broader scale, there is enormous room for investment growth in the rest of Asia, still the fastest-growing economic area in

the world. Choosing the right Japanese partner is often a puzzle made even more complex by the many intertwined relationships of the major business groupings in that economy. Then there is the role of the Japanese government and its ministries, which often influence market conditions.

Here, too, IBJ thinks it has a special role to play. Nakamura lists two key

strengths which favor outside

"First, we have always kept a good working relationship with the government. This keeps us very much aware of current trends and thinking there,

"Second, we have a unique position in the business world here. which allows us to offer very balanced information and analysis.10 Foreign companies entering the

Japanese market often encounter one or another of the major business groups which are competing androm ann.dire

Since we are unaffiliated, yet influential, we have many business groups as our clients," he contimues, "therefore we can provide foreign companies planning to establish footbolds in Japan with very balanced information related to MILA."

Products and relationships

Connections, Detailed information. Financing power. Those are the qualities which IRI managers are using to expand their business

But the bottom line, at Natori and Nakamura both point out, is relationship-banking and a global point of view.

Adds Natori, "Our banking contacts, our information network and our highly skilled product banking units around the world enable us to mobilise tremendous strength and skill in creating projects which may involve a single market, or major enterprises in several countries."

IBJ's ultimate goal in striving to help build a new Europe, says Natori, is global.

"A stronger Europe," he concludes, "will provide valuable impetus to the entire world economy,

more than 50% of Camford which Markheath may have MARKHEATH SECURITIES. received, although the last declared level of backing on this score was small - 1.3 per

the property and investment vehicle for Adelaide Steamahip, the Australian conglomerate, yesterday claimed to control over 50 per cent of the shares in Camford Engineering. Early yesterday morning, the bidder amounced that it either owned or has agreed to buy about 50.03 per cent of the equity, but said that it was still

Markheath claims to hold

the purchases. Assuming this is received, it intends to declare the offer wholly uncon-

not include any acceptances

cent — and it is always possi-ble for accepting shareholders to sell through the market.

There was no immediate response from Camford. Its advisers said only that they were considering the new situation and would make a state

seems likely as Markheath attempts to centent its positries to assess whether there is any ongoing support among remaining shareholders. The 50.08 per cent figure did-

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Guinness sale of Rioia holding could raise £10m By Andrew Hill

Guinness is to sell its 51 per cent stake in the Spanish Rioja wine business Bodegas AGE, whose Siglo Saco hessian-covered bottles grace the tables of a thousand bis-

Bodegas is one of the world's three largest Rioja houses and sold over a million cases of the wine last year for Pta4.5hn

As well as Siglo Saco the company produces Romeral and Gran Reservas. The sale of the stake could raise as much as £10m. "Basically, Guinness has

"Basically, Guinness has focused itself very clearly on spirits and beer — the wine interests were actually quits small," said Guinness, which sold its Californian and Australian wine operations about a year

We're interested in strong brand-names but we really sren't in the wine business any

Innger."
The group said it had already received a number of inquiries about Bodegas from Spanish and international com-

Courtwell sells Bear Brand for £726.000

By John Thombili Courtwell Group, the troubled leisure and clothing company which has just called in the receivers at its principal subsidiary, Leisure Investments, has sold its remaining Bear Brand Rosiery business for 1720 cm.

It claimed the sale eliminated a loss-making business, increased its cash resources, and would help stabilise its

The buyer is Glamar Group, the acquisitive clothing com-pany headed by Mr Stephen Barker, which will meet the consideration through the issue of loan stock repayable

on June 30 1991.

In addition, Glamar has repaid intra-group debt of 21m and will make a further payment of £1.08m at the end of the year.

At the end of 1999, Page At the end of 1989, Bear Brand Hosiery had net tangible assets of £545,000. In that year it recorded a pre-tax loss of

E764.000. Glamar claimed that the addition of Bear Brand would give it a 20 per cent share of the UK hosiery market in volume terms.

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In accordance with the Terms and. Conditions of the Notes, notice is hereby given that the Rate of Interest for the eighth Interest Period from 8th May, 1990 to 8th August, 1990 has been fixed at 15.55% per annum.

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UK COMPANY NEWS

Profits down £2m and depression will continue over short term

Hong Kong side pulls back Time Products

TIME PRODUCTS, the watch distribution and manufacturing group, yesterday announced a fall in pre-tax profits from £17.25m to £15.12m for the year to January

Turnover increased from £62.01m to £68.18m.

The decline was the result of a sharp drop in operating profits from £5.92m to £1.95m from the Hong Kong operations as Japanese producers, the major suppliers of watch movements to Hong Kong, increased production and reduced prices.

The company said the Japanese competitive position was protected by the weakening of the yen and there was little indication that prices would

Mr Marcus Margulies, managing director, said he had long term confidence in the business but profitability

Cakebread

Robey cut

to £74,000

The final dividend is reduced

After a tax credit of £255,000 (charge £321,000) the net profit came to £329,000 (£625,000) for

Mezzanine Capital

improves to £2.24m

Revenue after tex of the Mezzanine Capital & Income

Trust 2001 ross from £1.51m to £2.24m for the year to end-

earnings of 5.5p (10.4p).

March.

from 8.3p to 1.9p.

claims to be

UK operating profit 24.04p to 20.57p. The final divi-increased from 29.19m to dend is raised to 4.5p making a 123.97m. "In the UK our results total of 7p (8.5p) for the 19.97m. "In the UK our results were particularly encouraging in terms of the retail trade being affected by the decline in consumer spending, said Mr

Marguiles. Sekonda increased its mar-ket share and had a satisfactory year, given the economic climate. Longines had an "excellent" year, increasing sales by over 25 per

However Stubbs, the new watch brand priced between £35 and £65, failed to achieve the targetted number of out-lets. "It was a lousy time to launch a new watch brand," says Mr Margulies.

Finance income increased from £2.14m to £8.2m. At the year end there was cash of 227m. The company said it was continuing to look at proposi-tions to reinvest the money. Earnings per share fell from

Since the year end the company had gained the distribu-tion agency for Certina watches in the UK. Time said watches in the UK. Time said that Certina was an interna-tionally recognised Swiss hrand, priced below Longines and produced by the same group. Société Suisse de Microelectronolque et d'Horlo-

The company had also gained the distribution agencles for Girard Perregaux in the UK and North America and signed a joint venture deal with the Soviet Union. It had also nearly completed a new factory in France.

& COMMENT

With a rock solid balance sheet and a portfolio chock full of premium brands, some aspects of Time Products are as glamorous as its most sophisticated watches. Not so its share rat-ing, which is languishing on a large discount to the market. Over the past year, the shares have dropped by a third of their value as the company's parlous position in Hong Kong has been taken on board. There is little relief in sight from Japanese price cutting and the business will do well to make a profit this year. That will put pressure on the UK operation which is continuing to grapple with straitened consumer spending. The newly launched mid-market range has taken most of the batter-ing, even if there is no short-age of customers willing to pay several hundred thousand pounds for a jewel encrusted watch. It is not clear whether the company will be able to improve on last year's profits, which puts the shares up 2p to



Marcus Margulies - long term confidence in the business

NEWS DIGEST

(12.08p) per £1 income share and a final dividend of 7.5p makes a 14.5p (12p) total Titon declines

Earnings amounted to 14.950

9% to £706.000 A SECOND-HALF loss of Profits of Titon Holdings, a £333,000 has cut into Cakebread Robey and left it USM-quoted producer of window fittings and accessories, fell by 8.8 per cent to \$706,000 pre-tax for the six months to end-March. Turnwith a profit of only £74,000 for

over improved by 9.3 per cent The company distributes building materials, operates as timber merchants and makes architectural and sheet metal Earnings worked through at 4.23p (4.69p) and the interim dividend is lifted from 0.94p to

The total dividend is 2.7p; it compares with 4.1p in 1988 which was paid from a pre-tax profit of 2948,000. Cahill May to join USM

Cahill May Roberts Group, a pharmaceutical company, is joining the Unlisted Securities Market in Dublin and London in a 153.3m (53.3m) pla-

AIB Corporate Finance is placing 6m new shares at 55p per share, representing 22.8 per cent of the share capital. The broker is Goodbody Stockhro-kers and first dealings will be

Record order books at Charles Baynes

Charles Baynes, the Surrey-based specialist engineer, has made a strong start to the cur-

Tuesday's annual meeting, Mr Bruce McInnes, chairman, said: "We started 1990 with order books at record levels and the performance for the first quarter has been very good and ahead of last

The group has sold its remaining surplus properties at a small profit. "Our financial position remains very strong with over 26m of cash on deposit" he

Baynes also announced the acquisition, for a nominal £1, of JS Chinn, a loss-making chemical engineering com-pany. Assets are valued at \$210,000.

Colorgraphic sees growth in market

Colorgraphic, the USM-quoted printer and producer of litera-ture for the direct response market, expects its market to continue to grow in 1990, the annual meeting was told yes-

Objectives for 1980 were to build on existing strengths in the direct response market and to add telemarketing and a fur-

In the group as a whole demand and gross margins remained better than in 1989 in spite of tougher market condi-

ther operating company in

156p, on a p/e of 7.5.

The start-up company in Scotland was making progress although it was not expected to be profitable before the second. helf of 1990.

R&V back to profit in second half

R&V Information Systems, the Dutch computer systems house which in March 1989 became the first Dutch company to obtain a quotation on the USM, has followed up its interim fall in profits with a pre-tax profit of only F 43,000 (£13,855m) for the year to December 31 compared with Fl 1.99m.

Turnover for the year was slightly lower at F1 12.25m (F1 14.04m). Earnings per share were 0.8c (20.9c) and the final dividend is pessed leaving the total for the year at 1.1c compered with 2.3c. The company is not expected

to be in profit until the second half of 1990.

W Caming set for satisfactory year

Mr David Probert, chairman of W Canning, told the annual meeting that group sales were currently running in excess of \$130m.a. ween £130m a year.

He warned, however, that continuing high interest rates were causing some uncer-tainty among the group's UK customers and that UK sales volumes were running some 5 per cent lower than the corresponding period of the previous year.

The group has interests in speciality chemicals, industrial distribution and precious metal THEOVERY.

Some 70 per cent of its profits arise from outside the UK and although Canning was experiencing some wealnesses in demand in Spain, this was being partially offset by strong performances by businesses in France, West Germany and

Overall, and in spite of diffi-culties, Mr Probert believed that the financial outcome for the current year would be sat-

EC passes British **Steel** acquisition

By Lucy Kellaway in Brussels

THE EUROPEAN Commission has given its blessing to the recent acquisition of C Walker, the steel stockholder, by Brit-

It said that the deal, which brought together the biggest stockholder in the UK with the biggest producer, did not infringe the EC's competition rules, although it said it would keep an eye on the prices being charged to make sure that competition remained

British Steel would be required to report to the Commission every year the prices it charged to its own stock-holders together with the prices charged to third parties. The combined company would have a 37 per cent share of the UK market for Commo-nity steel products, 6 per cent of the European market and 50 per cent of the Irish market.

The Commission decided that in spite of the power of the new company, competition would be ensured by the 400 independent stockholders in the UK. Nearly all of the British Steel/Walker depots will be the steel walker depot have at least 3 competing local depots selling the same prod-

The Commission also pointed out that the deal would give British Steel a share of the market that was not out of line with the stock-holding shares enjoyed by its European counterparts.

IFICO disposal

IFICO is to dispose of Farr Insurance Management (Life and Pensions) to a newly-formed company, JBW Associ-ates, for £334,591 cash. The disposal is conditional on the approval of IFICO shareho

Maxwell purchase

acquired Thornellies, a publish-ing house based in Maine, US, through the GK Hall division of Macmillan for \$5.2m

Dutch purchase helps Hi-Tec to meet £6.4m forecast

By Clare Pearson

HI-TEC SPORTS, the sports shoes and clothing company, yesterday announced pre-tax profits of £6.4m for the year ended February 4 1990, a £610,000 drop compared with the previous year.

This is in line with a forecast

made two months ago when the company highlighted the way in which development of its overseas business was helping to offset the difficult trading conditions in the UK.

Pre-tax profits in the second half were slightly ahead of those achieved in the compara-ble period last time, when they stood at £2.9m. This followed on after the £1m fall in first half profits to £3.1m.

Overseas contribution was helped during the latter six months by the acquisition of Cofex, a Dutch leisure clothing concern, for which an initial £843,000 was paid in August. Earnings per share dropped from 13.8p to 11.5p, but the final dividend is maintained at 3p for an unchanged total of 4.5p. Cost this time is £1.57m, up from £435,000 previously after Mr Frank van Wezel, chairman, waived his entitle-ment to £1.14m.

Yesterday, Mr van Wezel said: "Hi-Tec Sports has become a much more broadlyhased - and hence stronger business, both in terms of sales and profits, and in this way its performance has shown considerable resilience against the difficult market background of

Trading in the opening months of this year was "satis-factory" but "at this stage only a cautious view can be taken

on full year prospects."
First half results would reflect that Cofex profits tended to be concentrated in the second half and, accordingly, a result similar to the opening six months of last year seemed likely. Group turnover was 283.65m (£65.82m). Within this, there was a marked increase in sales

of sports shoes, the core busi-ness, outside the UK.
Sales of shoes in both North America and Europe more doubled to £14.2m and £8.6m respectively. Home sales continued to grow but fell to less than 55 per cent of group sales.

Hi-tec Sports Share price (pence) 120 100 80 :. 1989 1990

A combination of organic growth and the inclusion of Cofex lifted sales of sportswear, casualwear and acces ries - the newer side of the business - to £11.7m.
Operating profits were
£7.89m (£7.83m). Interest pay-

able rose to £1.49m (£813,000). COMMENT

Ten out of eleven Crystal Pal-ace players will be sporting Hi-Tec football boots at the Cup Final on Saturday. This is just one of the messages the company, which has recently appointed a new finance director, new merchant bank and new stockbroker, is keen to tell the City these days. The heart of the story is that, using its strong position in UK shoes as a base, Hi-Tec has successfully diversified both in product range and geography. This gives it strengths for the future not apparent when one looks purely at its dull profits and share price history since it joined the market at 160p per share in June 1988. But the question is: will anyone listen? A small company, where the chairman holds most of the chairman holds most of the shares, in an out-of-fashion industry, Hi-Tec is hardly likely to set the market alight. Analysts are looking for at least a modest recovery to about £6.7m pre-tax this year: putting the shares, yielding more than 10 per cent at yesterday's price of 53p, on a prospective p/e of 4. Undoubtedly cheap, but likely to remain so for the moment.

All of these bands having been placed, this announcement appears for purposes of record only.

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Notice of Early Redemption U.S. \$300,000,000



The Ministry of Finance of The Kingdom of Thailand Floating Rate Notes due 2005

Notice is hereby given in accordance with Condition 4(c) of the Terms and Conditions of the Notes, that all outstanding Notes will be reclearised at their principal amount on June 20, 1990 when interest on the Notes will cease to accrue. Payment of Principal together with payment of Interest in respect of Coupon No. 9 will be made in accordance with Condition 5 of the Terms and Conditions of the Notes, at the offices of any of the Paying Agents who continue to be listed in the Terms and Conditions of the Notes.

By: The Chase Manhattan Bank, N.A. London, Fiscal Agent May 10, 1990



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BAHAMAS

The Financial Times proposes to publish a Survey on the above on

10 July 1990

For a full editorial synopsis and advertisement details, please contact:

Nigel Bicknell

on 071-873 3447 or write to him at: ber One, Southwark Bridge London SE1 9HL

FINANCIALTIMES



The FT City Seminar

Plaisterers Hall, City of London 9, 10 & 11 July, 1990

This practical three-day Seminar, now in its sixth successive year, provides a broad overview of the institutions and markets of the City of London. The 1990 programme has been updated to include the impact of the Single European Market, and finance for Central and Eastern Europe. Speakers will include:

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The Panel on Takeovers and Mergers

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Mr Herschel Post Deputy Chairman International Stock Exchange

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Mr David Malcolm Deputy Group General Manager Royal Insurance Holdings plc

Mr Tadashi Natori Director & General Manager The Industrial Bank of Japan Limited

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KONINKLIJKE NEDERLANDSCHE HOOGOVENS EN STAALFABRIEKEN NV. IJMUIDEN, THE NETHERLANDS

Dividend for the year 1989

At the Annual General Meeting held on 8 May, 1990, a dividend of NLG 5,75 per share of NLG 20,- has been declared payable, at the option of the shareholders, wholly in cash or in shares and cash, as from 21 May, 1990. Shareholders opting for cash will be entitled to cashpayment of NLG 2,80 and

NLG 2,95 per share against coupons No. 71 and No. 72, respectivily. Shareholders opting for cash and the shares will be entitled to cashpayment of NLG 2,80 against coupon No.71, and a share premium bonus of one share of NLG 20,- for every 25 coupons No. 72.

Coupons No. 71 and No. 72 are payable at the following offices:

Algemene Bank Nederland N.V. Amsterdam-Rotterdam Bank N.V. at Amsterdam.

New share certificates may be distributed in the form of CF-or as K-certificates with coupons No. 73 tot No. 115 and talon attached.

Coupons No. 72 not exercised by 1 July, 1990, will be payable only in cash at

U.K. residents who are liable to U.K. taxes on dividends paid to them and who do not carry on a trade or business in The Netherlands through a permanent establishment situated therein, may have Netherlands dividend tax reduced from 25 pct. to 15 pct. if the coupons are accompanied by a completed form 92VK, which may be obtained at the above mentioned office. 8 May, 1990.

Umuiden, The Managing Board.

Amsterdam. NV Administratiekantoor voor Aandeelen Koninklijke Nederlandsche Hoogovens en Staalfabrieken NV.

Hoogovens Groep 💢

KONINKLIJKE NEDERLANDSCHE HOOGOVENS EN STAALFABRIEKEN NV, IJMUIDEN, THE NETHERLANDS

Change of shares.

After removal of the coupons No. 71 and No. 72, the share certificates in circulation (K-certificates), consists of only a mantle and a talon.

From 21 May 1990 they can be presented for change at the offices of

Algemene Bank Nederland N.V. Amsterdam-Rotterdam Bank N.V. te Amsterdam.

Change in new share certificates, will be, without costs until 31 August 1990, in new share certificates with coupon No. 73 up to and including No. 115

8th May, 1990. Umuiden, The Managing Board.

Amsterdam, NV Administratiekantoor voor Aandeelen Koninklijke Nederlandsche Hoogovens en Staalfabrieken NV.

Hoogovens Groep 💢



The Badgerline Group

has acquired

Eastern National Limited



Acquisition finance was provided by Hill Samuel Development Capital

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FINANCE FOR AMBITION

For information telephone Richard Ramsey at Hill Samuel on: 071-628 8011.

Hill Samuel Development Capital is a division of Hill Samuel Sank Limited which is a Member of The Secundica Association.

UK COMPANY NEWS

Waking up to a Midsummer nightmare

John Thornhill looks at the closing stages of European Leisure's bid for its rival

of the year, midsummer is when most people's thoughts turn, on long warm evenings, to pubs and pints of real ale." So Mr Nicholas Winterton,

Conservative MP and then chairman of CAMRA (Real Ale) Investments, explained the success of his regional pubs group and its name change to Midsummer Inns in

But Midsummer Inns, since taken over and renamed Midsummer Leisure, no longer talks in such dreamy language as it faces what amounts to a company night-mare: a bid from another leisure company, European Lei-sure, which, it believes, substantially undervalues Midsummer's expanded range of pubs, clubs and discos.

This offer heads towards its final close tomorrow, and most observers expect the outcome to be close. At the previous closing

date, European Leisure spoke for 34.33 per cent of Midsummer's shares, including, somewhat embarrassingly, a 15.1 per cent stake held by Midsummer's directors, which was irrevocably pledged in acceptance when the bid was launched in early

At that time all appearedrosy and Midsummer recommended the offer. The bid valued Midsummer at £92m or 175p per share and the directors of both companies

Allied Irish

By David Lexalism,

1241.1m provision against Third World debt which brings

the bank's provision level up to 70 per cent, in line with some of the large UK clearing banks.

banks.

Mr Gerald Scanlan, chief executive of the Dublin-based group, said the result reflected a higher level of earning assets, strong growth in non-interest income, and continued cost control. There was a strong performance across each of the divisions.

The result represented an

each of the divisions.

The result represented an increase of 52 per cent on the previous year's outcome of 12155.7m, although some of the comparisons with the previous year are distorted by the consolidation for the first time of the results of First Maryland Bancorp, the group's new wholly-owned US subsidiary.

The underlying growth in operating income was 20 per cent, but the underlying rise in costs was only 12 per cent, a gap which accounts for much of the strong profits rise. The cost to means unto fall frum 67.1 per cent to 64.2 per cent. The aim is to get it below 60 per cent within three years.

Earnings expanded 33 per cent to 24.4p, and the dividend is increased to 7.5p via a final of 4.25p. The return on equity ratio was 31.2 per cent, up from 15.2 per cent, and the risk asset ratio was 11.5 per cent, up from 8.5 per cent.

AIB is awaiting the response from Bultimare Bancorp to 12 bid, which was "unsolicited but amicable". This may be forthcoming before Baltimore's annual meeting on May 16. First Maryland, through which AIB is making the hid, released the text of a letter which it had sent to Baltimore emphasising its readiness to enter into negotiations, and

Banking Editor

MORE THAN any other time toured the institutions sell-of the year, midsummer is ing them the merits of the

Midsummer's interests were to be merged with those were to be marged with those of European's, which included the Camden Palace and the Hippodrome in London, creating a forceful presence in the UK leisure

As Mr Michael Ward, European Leisure's flamboyant chairman, enthused: "The enlarged group will redirect Midsummer Leisure's busi-ness along more focused lines and concentrate both companies' considerable manage-ment resources on high value-added discotheques and themed leisure venues, providing significant opportunities for profit enhance-

But all this was before Meca, the UK's largest lesure company, shocked the market with its debt level sparking a downward re-rat-ing in the whole of the sector and a change in industry sen-

As leisure companies' shares slithered so did the value of European Leisure's offer and with it Midsum. mer's enthusiasm for the

This decline in price led to a change of heart from the Midsummer board and in mid-April, just a fortnight after the launch of the offer, the company changed its recommendation and urged shareholders to reject the

The offer currently values Midsummer at around 138p per share or £78m in all. Mr Paul Reece, Midsum-

mer's deputy chairman, stated his continued objections to the deal yester-

Strare price (pence)

May 1989

that the offer is inadequate-because of the dramatic fall

in European Leisure's share

increased his offer or put in a fully underwritten cash alter-

native then clearly that would have addressed the

But Mr Ward has not raised

the offer and has continued.

to argue forcefully for the merits of the original

"Had Michael Ward

220

180

140

120

day. "The key to the problem is

He claims the bid generously values Midsummer at 14.7 times its historic earn-lings after property profits have been stripped out and a full notional tax charge has

European has also turned its fire on Midsummer's man-

agement and has questioned its future viability in the

strategy. In the latest of a string of

increasingly aggressive circulars to Midsummer's share-

holders, Mr Ward thundered:

"What credibility and confi-dence can be attached to a

company that fails to answer

central questions about its

Loss-making in the second

half of last year, paper and converted products provided a trading surplus of £1.53m (£1.42m). This was achieved after rationalisation of manu-

facturing at one of the mills

nce of the offer, pointing to the company's high level of gearing and "incoherent"

been applied.

Midsummer Leisure European Leisure

May 1989

independent future in the course of a takeover

But Midsummer has firmly rebuffed these criticisms, claiming it has a fundamentally sound strategy and pros-pects. The company has also contested European's interpretation of the value of its

It claims the offer only values it at 8.8 times historic earnings and that its low tax charge and property profits are not exceptional features

in its results.

Whatever the commercial merits of the deal, it is financial considerations that are likely to be the final arbiter of Midsummer's fate. And, if the views of most analysts are anything to go by, the offer does not seem to be high

enough.

Mr Martin Hawkins, a
drinks analyst at the brokers
Kitcat & Aithen, expresses
the views of several when he

says:
"The merger as originally proposed was a reasonable one in terms of industry rationalisation.

"The market should have applauded the deal as there was no new debt, effectively no new paper, and a very significant earnings enhancement. But I now think it's a very poor deal for Midsummer shareholders. However, he added: "If you are a European Leisure

shareholder you should keep your fingers crossed.

Bibby advances to £16.8m at halfway

1990

Banks ahead By Clare Pearson to I£237.3m

A TURNROUND in the paper and converted products divi-sion and a strong perfor-mance from science products, mance from science products, which came in spite of uncertain US trading conditions, helped J Bibby & Sens, the industrial and agricultural group, schieve a 5.7 per centrise in pre-tax profits from £15.9m to £16.8m in the six months to moderate.

Turnover was £288.18m Allied Irish Banks yesterday reported pre-tax profits of 1£237.3m (£231.3m) for the year ending March 3i, confirming the result announced last week at the time of its \$217m (£129m) bid for Beltimore Bancorp of the US.

The result included a 1£41.1m provision against

Turnover was £286.16m (£272.05m). Earnings per share were 9.589 (9.079).
The company, which is majority-owned by Barlow Rand of South Africa, said it had decided to maintain the

interim dividend at 2.75p although the full-year payment would be subject to

Mr Richard Mansell Jones, chairman, said that in spite of a number of adverse factors he expected Bibby to "show progress for the year as a whole."

whole. The company was likely to benefit from the stabilisation of wood pulp prices, acquisitions and tighter controls over working capital and manufacturing efficiencies. Holding it back would be the state of the UK aconomy the state of the UK economy and difficult markets in the

and various organisational changes. Since the period-end, Bibby has expanded this divi-sion with the purchase of Eurofilters, a Belgian company.

The higgest advance in trading profits, from £5.38m to £6.75m, came in science products. This was largely attributable to the international

operations of a division involved in electro optics. The two bigger divisions achieved moderate advances atherea moderate signales in trading profits. In the agricultural division, these edged ahead to £4.79m (£4.34m). Poth cattle feed volumes and margins improved despite the occurrence of another mild

Materials handling, helped by a full six months trading from a US acquisition, was a per cent higher at 26.4m (26m). Lamson, a company based in the UK and Netherlands, has been added to the division since the period and.

EMPERATOR ...

the figure of the latest

ST TANK

COMPANY NEWS IN BRIEF

ADWEST GROUP has sold Rewins Plastics for 11.7m cash. Buyer is English Plastics Holdings, a newly formed plastics

share and loan capital of the Davall Group of Hatfield, Herts, comprising Davall Moulded Gears, Davall Gear, Davall Stock Gears and Davall Holland (Amsterdam, Holland) for £4.24m cash. EXECUTEX CLOTHES: follow-

ing its offer Premierilag now speaks for 29m shares (94.64 per cent). Offer extended until May 22. HAMBROS INVESTMENT

Trust, now an investment holding company after being taken over by Hambros Bank, produced earnings of 10.45p (2.61p) for the half year ended September 36 1989. Total revenue £7.5m (£3.42m). Dividend 16.25p paid in September; dividends will continue to be paid on preference stocks. Net asset value 42.39p (332.46p at March 31 1989). HOGG ROBINSON: IEP Securi-

ties, the investment vehicle for New Zealand financier Sir Ron Brieriey, has lifted its stake in the large UK-based insurance broker. It purchased a further 350,000 shares, taking its total holding to 11.14m shares (16.14

LADBROKE GROUP'S US rec-ing subsidiary has entered into a joint venture agreement through which it has purchased 60 per cent of Canter-bury Downs race track in Min-nesota for US\$12.65m (£7.76m). Ladbroks Racing will have an initial 30-year agreement to manage the operation. LAWRENCE (WALTER): Col-guy Holdings has acquired 2.74m ordinary shares, raising its holding to 8.69m shares (18.22 per cent). MACARTHY is paying a maxi-mum £2.5m for Bryants Chem-ists, which runs six pharma-cies on Jersey. Of the consideration, £2.25m has been paid. Bryants sales in the year

paid. Bryants sales in the year ended March 31 1990 were £2.7m and pre-tax profit

MARYLEBONE ESTATES said House had been agreed at £2.25m per annum. A Scandina-vian consortium has an option to buy the property. Maryle-bone said that the rent review would reflect a purchase price, in December 1990, of about of 231m, subject to the option being exercised.

per cent).
INTEREUROPE TECHNOLOGY has bought 100,000 of its
own shares at 110p each.
KALON GROUP has acquired
certain businesses of Nitro-Phoenix Timber Group from 27.2 per cent to 28.3 per cent. Mercurius has been stake building gradually in Phoenix starting six months ago with

MERCURIUS, the Swedish investment company, has lifted its holding in the Essex-based This notice is issued in compliance with the requirements of the Council of The Interesticital Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute are relation to any person so subscribe for or purchase any securities and appears as a passion of record only.

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The Secretary of State for Trade and Industry of Her Britannic Majesty's Government

acting by

the Export Credits Guarantee Department Issue Price 99.406 per cent.

Application has been granted by the Council of The Stock Exchange for the above mentioned stock to be admitted to the Official List. It is expected that, subject to the posting of the Rule 520 notice, dealings in the stock will commence at 8,30 s.m. on Thursday 10th May, 1990 for deferred settlement on Thursday 17th May, 1990.

Listing particulars relating to the stock will be available in the statistical services of Extel Financial Limited. Copies of the listing particulars may be obtained during normal business hours on any weekday up to and including Friday 11th May, 1990 from the Company Announcements Office, The Stock Exchange, 46–30 Finsbury Square, London ECZA 1DD (for collection only) and up to and including Friday 25th May, 1990 from:

Barciays de Zoste Wedd Securities Limited Ebbgate House 2 Sunu Lass London ECAR 3TS

8. G. Warburg Securities
1 Finabury Avenue
London ECIM 2PA

10th May, 1996

This announcement appears as a matter of record only.

RELOCATION FUNDING No. 1 PLC

(Incorporated with limited liability in England & Wales)

£60,000,000

Limited Recourse Asset Backed Secured Floating Rate Notes due April, 1994

COMMERZBANK

emphasising its readiness to enter into negotiations, and urging the board to make its views known in advance of the meeting. The hid is accompanied by a 12.162m rights issue which will go ahead regardless of the fate of the bid.

Mr Paddy Dowling, deputy chief executive, said the group still had the capacity to make an acquisition elsewhere if the opportunity arose.

Notice to Bondholders CITY OF COPENHAGEN 30,606,000 European Units of Account 7% 1978/1993 Bonds

tunity arose.

emphasising its readiness to

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Boadholders that nominal UA 1,900,000 have been purchased for the Purchase Fund during the twelve-month period from May 2, 1989 to May 1, 1990.

Amount outstanding: UA 16,633,000



Weekly net asset

as at 9-5 was US\$ 336.63 Lated on the Amsterdam Stock Exchange Information: Pierson, Heldring & Pierson NA use it, but within eight or nine years

we will be building our semiconductor devices atom by atom," he claimed. His caution was unnecessary.

Within two months, researchers at IBM's Almaden Research Centre in

ing techniques, tracing out the letters

"IBM" in individual xenon atoms on a nickel plate. It is the important first step towards the production of semi-conductors at least 1,000 times more complex than those available today.

The Almaden advance is an example of JEM's recovered civils at their

ple of IBM's research skills at their best, skills which have given the

world, among other developments, the "Winchester" hard disk drive and

high temperature superconductivity.
But are such advances the exception rather than the rule? IBM spent

\$6.8bn (£4bn) on research, develop-

ment and engineering in 1989, about 10 per cent of its revenues and more

By Alan Cane, Louise

and Ian Rodger

Kehoe, Roderick Oram

than total sales for the year for some

of its major competitors.

Do IRM, its shareholders and customers, however, get value for this investment in technology? It is a

question which intrigues industry cynics who sneer that IBM stands for

"Inadequate But Marketable", They claim that Big Blue pours millions of

dollars into research often to let the results gather dust rather than give its customers the benefit of advanced

tis customers the benefit or anvanced technology before the maximum profits have been wrung out of earlier offerings. Be that as it may, it is true that IBM's freedom to innovate is hindered by the huge number of systems it has installed with customers worldwide and with which it needs to maintain commatibility.

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JOHN ABBITAN

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Concluding a series on IBM, FT writers examine how a market-led philosophy will affect innovation

eality overtakes prediction with awesome speed in high technology. In February this year, John Armstrong, International Business Machines's newly appointed chief scientist, was discussing the physical limits to the miniaturisation of electronic components. A strategic game of determined leapfrog urisation of electronic components. The laws of physics, he said, placed few constraints on what could be achieved in semiconductor technology over the next 10 years, although he demonstrated the scientist's habitual caution in outlining his predictions. "This idea is so colourni I hesitate to

nological competence as unfair. At least it did until the review of the company's policies and products initi-ated by John Akers, chairman and chief executive, in the mid-1980s, which has led to the greatest shake-up in the way IBM does busi-San Jose, California, announced that they had made a breakthrough in just-such microministurbed manufacturness since it was founded. In effect, the company is now trying to become "market led" rather than "technology

> The mid-1980s reviews led to a real-isation of how out of touch some of BM's offerings were with the market-place. The company's inability to con-nect easily its various product families together, for example, resulted in a loss of market share to Digital Equipment Corporation (Dec), the world's second largest computer com-

pany.

Does the new, market-led philosophy mean that technology and the need to stay on terms with the competition have become less important? Do IBM's dyed-in-the-wool technologists feel left out of the new order?

No according to Jack Knehley IRM president and a technologist by back-ground: "Mr Akers believes that IRM must drive like it never has before down the track of becoming market-driven and he articulates all the rea-sons why. I think everyone buys that now and I do not think there is a negative feeling about it."
But there has been a technological

shake-up as well, which goes a long way in explaining IBM's suphoria over its new workstation family, the RS/6000. To IBM's senior executives, the RS/6000 is the first bard evidence that IBM is back on track as an inno-vator, exploiting the latest technologles, and measurably ahead of the

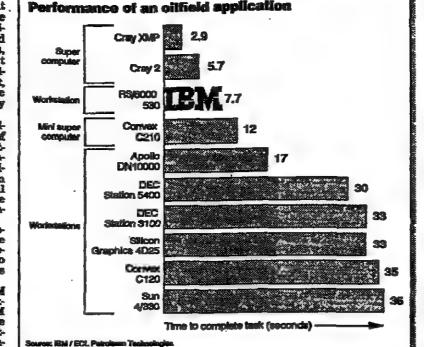
opposition.
It also indicates that the company is taking seriously its commitment to a number of areas that, in its period of soul-searching prior to 1988, it iden-tified as principal areas of opportumisd as principal areas or opportu-nity. These are scientific computing, professional services, fault tolerant computing, artificial intelligence, image-based systems and small-and medium-sized computer users.

Its approach to scientific comput-

wide and with which it needs to maintain compatibility.

In consequence, critics say, IRM can act as a brake on technological progress rather than a spur. It is rarely acknowledged as an innovator in computer technology, although its skills in semiconductor design and manufacture—it is the world's largest semiconductor manufacture—are ing, an important and fast growing market sector in which IBM bus traditionally been weak, indicates how it is tackling these areas of opportunity. Scientific or numeric-intensive com-puting typically involves two kinds of

• Supercomputers. These are tuned



for absolute speed and designed to make light work of heavy number crunching problems. The market lead-ers in supercomputers are Cray Research of the US and Fujitsu, NEC and Hitachi of Japan.

IBM has never made significant breakthroughs in supercomputers, although it claims that its maintrame computers fit with a "vector facility" for high speed computation and pro-vide the power most customers need

vide the power most customers need for supercomputing.

It is, however, also funding a venture headed by Steve Chen, formerly a Cray researcher, which is developing a supercomputer to compete directly with Cray and the Japanese manufacturers. The machine is on schedule, IBM says, and the software it will use is already being tested.

• Workstations. These are high performance personal computers used by scientists and engineers to tackle scientists and engineers to tackle complex calculations and simulations. The leaders in workstations are Dec. Sun Microsystems and Hewlett Packard of the US. Because of their power, workstations are increasingly finding a role in the commercial world — as

low cost replacements for minicompu ters or as personal competers for dealers in securities houses.

The RS/6000 workstation is a land-

mark for IRM because it:

Employs rise (reduced instruction set computing) technology, a way of designing high speed microcircuitry which IBM invented but allowed othwhich has invested the answer of the uses IBM's own version of the Unix operating system which is steadily becoming the industry standard for small- and medium-sized computers. It is therefore evidence of IBM's commitment to "open" systems. The nine proprietary microprocessors at the heart of IBM's RS/6009 workstations and servers form a "superscalar" system with performance double that of the risc chips upon which competing workstations from companies such as Sun and Decare the state of the state of

Independent tests of the performance of the IBM RS/8000 demonmance of the 18th RS/2000 demonstrate that it is a leap beyond current workstation produces from cooneting suppliers. The Spec organisation, an independent testing group, measured

IBM's top RS/6000 model at 34.7m instructions per second (mips, a common measure of computer power), compared with 18.5 mips for the top model in Dec's recently introduced Dec5000 workstations and 17.8 mips for Sun's top of the range model powered by a Spare rise processor.

Superscalar processors represent a refinement of the rise architectures that have emerged over the tast two

that have emerged over the past two years as big challengers to conven-tional microprocessors. IBM, however, is the first computer manufacturer to amnounce workstations based upon superscalar processor technology.

Unix has become important to com-

poier users because it offers a stan-dard environment in which Unixbased computers can communicate easily and share software. BM's version of Unix, Aix, is described by one industry expert as "Unix with its hair brushed and its hoots polished". In other words, IBM has smoothed off the rough edges of the Unix system. Whether it has genuinely contrib-uted to standardisation through the industry is another matter. There are two competing versions of Unix, one based on Air, the other on the latest based on Air, the other on the latest version of the original Unix from AT&T. According to Unix International, which supports the AT&T version, Aix has moved in the direction of open systems but not far enough to give its customers all the advantages of open systems — in particular Unix International claims it has been developed for the PS/8000

international claims it has been developed specifically for the RS/6000.

IBM's competitors are already trying to hand back its lead in workstation hardware. Solbourne Computer of the US is shipping a multi-processor workstation that outperforms the RS/6000. Cypress Semiconductor is workstation that outperforms the RS/ 6000. Cypress Samiconductor is work-ing on a next generation superscalar Spare chip. Texas Instruments and Sun are collaborating on another ver-sion of Spare that is expected to achieve record performance. In a recently announced alliance, LSI Logic of the US is working with

Hyundai of Koren to create a super-scalar version of Spare which, the companies predict, will achieve per-formance of 80 mips. Can IBM hold its newly found lead in workstation techpology? Armstrong thinks so, "We are playing leaning. It took us four years to develop the RS/6000 including the design and the special software. Do not expect us to wait four years or even one year for enhancements. We intend to ratchet up that architecture while we have the lead. The RS/6000 is not a shooting star, it is a bright new planet that will be around for some

The implication for each of IBM's somen areas of opportunity is that the time when the company was content to rest on its technological lanrels are gone - and its competitors nuclerestimate its determination to come out on top at their peril.

Previous articles appeared on April M. 26, 27 and May 2 and 4.

Bright sidicing



WORTH WATCHING

Della Bradshaw Too smart for

traffic jams BEING stuck in a traffic jam on London's M25 orbital psiwork is no fun. But technology about to be licensed by the Department of Transport could help drivers avoid the

The Trafficmaster system developed by General Logis-tics, of Luton, will enable driv-ers to learn the location of begin on the M25 this summer, but should encompass all motorways in England and Rootland by 1862.

The system uses a sensor installed on molorway bridges to measure the speed at which care are travelling. The infra-red signals take the average speed of six care passing under the bridge, and if that is less than 25mph the sensors send a redio signal to the General Logistics computer centre in Luton. er centre in Luton.

That radio signal is then sent across the radiopaging meteors to the in-car Traffic-master computers of all the chivers who want to receive information on that stretch

of motorway. The computer, about the size of a paperback book, draws power from the car bat-tery. It costs £300 to pur-chase, plus installation costs. Monthly rental is £18.50 for the service.

An extended life for components

THE Institute of Coal Englneering, in Moscow, knows all about the problems of machine components wearing away in abresive or corrosive situations.

To prevent it, the institute has developed a coating of chrome alloys which, it claims, greatly prolongs the tile of digging equipment or

industriai machinery. The coating contains no rare metals, such as molybdenum, and so is cheaper. The institute is looking for overseas business contacts or a joint venture partner.

Urban transport blows own horn

A SYSTEM of urban transpor tation using vehicles pro-pelled along an overhead track by moving air, much as a salling vessel is pushed along a course, is proving its efficacy in Jakarta, writes Robin Burton.

The means of propeiling the Aeromovel urban transit vehicle is not inside the car. instead, a fin, attached along the bottom of the vehicle, slots into a square pipe. As pressurised air is blown horizontally backwards and forwards along the pipe, the

train is blown along the track. The airflow along the guide-way, which is about 5.5m about ground level, is controlled centrally and generated by units which are Installed at convenient intervals along the trackway. By changing the air pressure the vehicle can be made to accel-

Friendly way to clean the boards

chloroliuorocarbons, comput-er-maker Digital Equipment has developed a process for cleaning the latest printed circuit boards without using the discredited substances. The technology has been developed to clean boards where the components are

surface mounted - attached with adhesive. Because they ere smaller than older com conents, water-based systems exert too much pressure they would knock the tiny components off the boards.

So as well as developing a new cleaning field, Digital has developed a process which includes apraying smaller droplets and reducing the pressure at which they are applied. Digital is allow-ing manufacturers to use the technology without charge, and is making information evallable through the Industry Co-operative for Ozone Layer Protection in Washington DC.

Contacts: General Logistes: UK, 0628-480185. Inetitate of Coal Engineering: USSR, 085-279-47-65. Aeromovel: Indonesia, 21 3108486, ICOLP: US, 202-737-1418.

LEGAL NOTICES

THE COMMERCIAL BANK OF

recognised as world class. IBM's senior management has

fied to sitend and vote at the above Meeting, may appoint snother per any who need not be a member of

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED (Reg. no. 05/04/

Notice of Closing of Registers Notice is hereby given that the transfer registers of the bolders of croftney shares will be closed from the close of business on Friday, 25 May 1980 mills the close of business on Friday, 1 June

SWITZERLAND Pull Service le our Business rentional law and taxas. Mailbox tolephone, toles and toleopher services analation and secretarial services. Formation, democifiation sistration of Swiss and Por-SS ADVISORY SERVICES

NEUROTECH LIMITED (M ADMINISTRATIVE AECEIVERSHIP)

Trees, converted to 2000 for the pur-pase of having fall before it a copy of the report prepared by the administrative measure mater setting 48 pt the sale Act. The creating may, if it thinks it, establish a

Oradizon whose clotten are wholly second any not entitled to attend or be represented at the weating. Other creditors are only enti-sed to vote it.

(a) tiply have delivered to me at the address atoms above, no later than 4.05 p.m. on 17 May 1980, writing details of the debts

R.W. CORK

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF PARKFIELD

> **GROUP PLC** AND IN THE MATTER OF THE

THE COMMERCIAL BANK OF THE NEAR EAST PLC

HOTIOR IS HERREY STUBE that MAY ARE HOTIOR IS HERREY GRAIN, pursuent to Receive-signification of the head of the People-tered Otton, Statistical House, 107-753, en Thursday, 31st May, 1890 at 12 and 1995, the believed Statistical Statistics (STATES). But the believed Statistics (STATES) at 12 and 1995, but the believed Statistics (STATES) at 12 and 1995, but the believed Statistics (STATES) at 12 and 1995, but the believed Statistics (STATES).

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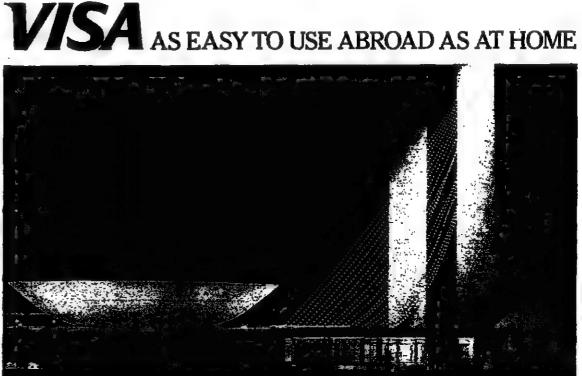
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ALL YOU NEED

Opec members have yet to deliver on last week's output pledges, writes Steven Butler

the Organisation of Petroleum Exporting Countries has left oil markets waiting nervously to see evi-dence of whether pledges for a big cut in oil production will

The stakes are high. Most analysts believe Opec has pulled oil prices back from the precipice; yet they agree the market is still teetering not far

from the edge.

Much depends on market psychology, which has proved resistant to change. Oil compa-nies were saying the world's oil supply system was brimming over for weeks before prices took a steep plunge in mid-April to levels similar to the lows of 1986 and 1988 in real terms.

This prompted the Organisa-tion of Petroleum Exporting Countries to convene the emergency meeting last week in Geneva, where pledges to cut 1.445m barrels a day were taken from members.

Both before and after the meeting, weak prices for oil were concentrated in the prompt months on futures and forward markets, a technical situation known as contango which is rare for the oil markets. In forward delivery months, prices are higher, reflecting confidence that the current oversupply is a transitory phenomenon, although the forward premiums have been narrowing

recently.

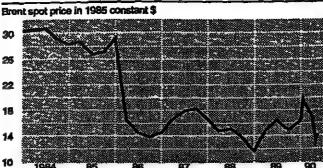
The rising price curve for forward months creates an incentive for oil companies to

hold stocks. They can protect themselves from any possible price decline by selling short in forward months, so long as the price curve holds its shape. Yet it depends critically on

confidence that prompt oil prices in three to four months will in fact be significantly higher they they are today. because oil companies would have an incentive to liquidate stocks, driving down spot oil Whether this happens

depends critically on how much Opec cuts production. "Opec has done enough," says Mr Geoff Pyne, an analyst at UBS Phillips & Drew. "It

Oil price



While most analysis would say this is most likely to be the case, there are dissenters, "If you look at the way this market is behaving, it is setting itself up for a fall," says Mr Phillip Verleger, a visiting fellow at the Intitute of International Economics in Wash-

Mr Verleger warns that were the market to move out of con-tango and into backwardation the normal situation for oil markets in which prompt prices are higher than forward prices - it could prove extremely painful. This is was a well-timed meeting. It has prevented catastrophe." Still the signs are mixed, and it is still unclear whether all

Opec members are working off the same numbers. The danger is that if the cuts are not applied universally, countries that do cut production will quickly turn on the taps again. Saudi Arabia was yesterday reported to have asked its buyers to volunteer cancellations of cargo liftings for this month. This follows statements last Friday by Mr Hisham Nazer, the Saudi Oil Minister, that he had ordered an immediate 430,000 b/d cut in Saudi production. Yet Mr Nazer's credibility had always ranked very high compared to other Opec minis-

The doubts centre on what Kuwait and the United Arab Emirates will do. The UAR appears will do. The UAE appears willing to take its 200,000 b/d pledged cut, but from a starting point of 2.1m b/d. This amounts effectively to no cut at all since UAE production is thought already to have reached 19m b/d.

This places conditiities for

reached 1.9m b/d.

This places credibility for the pact squarely on Kuwait. Sheik Ali Khalifa Al-Sabah, the Kuwaiti Oil Minister, has uncharacteristically said nothing since the meeting. This may indicate a lukewarm commitment although intense mitment, although intense pressure from its militarilypowerful neighbour Iraq may
prompt Kuwait to toe the line.
If Kuwait does not cut back,
few doubt that Saudi Arabia
will reclaim its 24.5 per cent
share of Opec output and lift

production again.

The Saudis are giving the Opec members two to three weeks to get their act together," says Mr Peter Bogin, at Cambridge Energy Research

Many analysts believe a cut from 23.5m b/d in April to 22.5m b/d would be enough to speak through without precip-itating a collapse in prices. The implied demand for Opec oil in second quarter fore-casts issued by the Interna-tional Energy Agency this week came to just 20.5 b/d, assuming neutral crude stock movements. Although crude

there could be scope for increasing refinery runs and keeping more product in stor-

Mr Verlerger believes Opec must cut well below 22m b/d, something no one believes is possible. He also doubts that oil companies are so confident about future prices as to want to fill up their tanks even

The numbers are not consist-

The numbers are not consistent and the variables change constantly. A recovery in Soviet exports in March by 400,000 b/d provided a big surprise for the market, and the Brazilian austerity programme has suddenly thrown some 300,000 b/d of gasoline on to international markets.

On the other hand, UK On the other hand, UK North Sea production is looking shaky as unions begin a work-to-contract action this week. Continued dry weather in Europe will also boost off demand as hydro-electric and nuclear facilities lack neces-

sary water, All of these imponderables All of these imponderables only serve to focus more attention on Opec as the pace-setter for the market. A substantial cut in output, even to a point much higher than the market looks likely to want to take, could help present the present price structure and stability so long as oil companies are con-

long as oil companies are con-vinced forward month prices are not about to collapse. Confidence will rise further if the Opec countries refrain from dumping onto the market crude currently hald in tanker

But Florida citrus officials

"If the four countries get in under GSP, that would be a disaster," said Mr Bobby McKown, executive vice president and general manager of Florida Citrus Mutual, the

state's largest growers' organi-

sation. He said the industry's real

four was that the four would be just the first to take advantage of a tartif elimination. He said

reject more Australian sheep ·

Saudis

By Tony Walker in Cairo

SAUDI ARABIA has rejected fourth shipment of Australian sheep in less than a month, this time on the grounds that the animals are too old.

The shipment of 55,000 animals was re-directed to Ras al-Khaimah in the United Arab Emirates where negotiations to sell them either in the UAE or elsewhere in the Gulf are continuing.
Australian officials are

extremely concerned by this latest hiccup in the incrative sheep trade to Sandi Arabia which imports about half the 7m live sheep Australia

exports annually. Saudi Arabia's rejection last saudi Arabia's rejection last year of ahipments totalling 400,000 sheep on the grounds that they were diseased led to the suspension of the live sheep trade for some four months.

months.

Australian representatives had assumed that problems had been resolved following the virit to hand! Arabia latelast year of a high-level Australian Meat and Livestock Corporation delegation, but this latest series of rejections has again raised serious questions about the luture of Anstralian's sheen trade of the tralia's sheep trade to the

Saudi Arabia claimed to Saudi Arabia claimed to have found traces of "scabby mouth" in three shipments of Australian sheep rejected this year. In this most recent rejection, Saudi officials cited a rule that has not previously been enforced that bans the been enforced that bans the import of sheep more than three years old. Australian officials are mystified as to why Sandi Arabia should have suddenly decided to insist on the age rule being observed. Australia suggested last year that restrictions on the importation of Australian sheep were being applied arbitrarily were being applied arbitrarily to protect Saudi producers.

Gloom on EC sugar import concession

By David Blackwell

THE SUGAR protocol under which the African, Caribbean and Pacific (ACP) group of states enjoys access to EC mar-kets is becoming marginalised, the group was told yesterday.

ACP ministers are meeting in London this week to look for proposals which will maintain the sugar protocol in the face of rapidly changing interna-tional conditions.

Mr Ghebray Berhane, secre-

tary general of the ACP group, said that sugar represented the mainstay of the economies of most of the countries at the conference, and the only viable livelihood for their peoples. The protocol, under which 1.3m tonnes of cane sugar is guaranteed access to the EC each year, "remains the only meaningful area of co-operation between these countries and the European Community under the Lome Convention (a

trade and aid pact between the EC and former colonies)."

The price offered by the EC for ACP sugar has been unchanged since 1985-86, and the ACP has consistently rejected a 2 per cent cut for

In addition to reduced income, the ACP countries income, the ACP countries faced competition from sugar substitutes, said Mr Berhane.

They also had to face up to the likely completion of the the likely compisition of the Uruguay round of Gatt talks; the European single market in 1992, and developments in Eastern Europe which were expected to influence world trade positively.

"The ACP states represented here should think positively and develop viable approaches

and develop viable approaches to take advantage of these developments," he told the con-ference, which closes on Fri-

US policy under attack

US COVERNMENT support for sugar producers costs Austra-lia between A\$123m (US\$94.6) and A\$230m a year, according to the Australian Govern-ment's Bureau of Agricultural and Resource Economics.

Mr Brian Fisher, the bureau's executive director,

said last week that US policy had imposed a large cost on other sugar exporters, as well as increasing the cost of sugar in the US. It had reduced the world sugar price by between 21 and 33 per cent between 1982 and 1988, he estimated.

The bureau said Mr Fisher's

comments were aimed at influencing debate in the US over replacement of the cur-rent five-year regime, which was introduced in 1985.

Australia is a major sugar producer, largely in New South Wales and Queensland, and an

exporter to the US under the existing quota system.

Mr Fisher said the current round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (Gatt), together with the impending 1990 US Farm Bill, provided a chance for reform of

the US sugar regime.

"A move to free trade by the US would raise world sugar prices and increase Australian average of A\$47m a year over the period 1991-95," he said. A discussion paper published by the bureau, 1990 and US Sugar Policy Reform, says the US sugar market has effectively been isolated from world markets by the current policy, which imposes a cost of around \$2.60 on consumers and up to \$0.54 on the world economy for \$0.54 on the world economy for every dollar of subsidy to

Falklands fishery closes early again

THE FALKLANDS Islands have again been forced to close their fishing zone earlier than expected because of overfish-

ing.
The closure could cost the islands £2m in refunds out of £28.3m total fishing revenue, which accounts for 70 per cent of Falklands government income.

to end on May 31, will close at midday today. The fishery aims to leave 40 per cent of the stock after the season to allow the species to regenerate. But "in the last two years, escapement has been about 10 per cent," said John Barton, Direc-

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Fing turnover 1,404 tons

ting turnover 16,350 tons

ous High/Low 369.0 874.0

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The last

tor of Fisheries yesterday.

"The size of the stock has been large in previous years, so things have been OK. But this year the stock is much

Fishing for the species takes place also in Argentine and international waters. The Falk-lands authorities have been requesting the fishing fleets. from the Far East, to reduce "The fishing effort is just too high out there," said Mr Ber-

Last year, fishing for loligo

species, was closed three weeks early because of similar fears. "There is a lot of unhappi-ness" with the decision, said Mr Alan Johnston of Multifish, parts of Witte Boyd, which has a joint venume with a Japanese company operating hosts in the Falklands.

The season had already been cut by one menth, he said.
Some Far Eastern companies
were considering not taking
licences at all next season. In
addition, he disputed that the
stocks were very low; there
was evidence that they had
shifted outside the zone into Argentine waters, he said.

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Promising gold find in Turkey By Jim Bodgener in

TURKEY'S COMINCO Madencilik, subsidiary of the Vancouver-based Cominco

Mining, has reported the dis-covery of the most promising, high quality gold reserves ever found in the north-eastern Black Sea volcanic belt. But it is too early to talk of investment in mining operations, a company official says.

Further studies including fresh drillings are required for a firm investment decision.

But in one of the drillings in the Corakarea a 15 metre-thick zone was intersected, assaying 22 grams of gold per torne of ore, while another 8 metre-thick zone assayed at 13 grams a tonne. In one drill bole in Tacares 20 km north-east of assayed at 7 grams a tonne.
While research continues in
Corak and Tac, the company
plans to drill in ten other target areas as well, mostly in the north-east Anatolian volcanic belt, in the hope of finding multi-metal reserves of mostly copper, lead and zinc.

Drug war may lead to orange overdose Henry Hamman on Latin American calls for US tariff relief

THE FLORIDA citrus industry is waiting per-vously to find out if it has been conscripted into the

Bush Administration's war on drugs. At issue is a request by four Andean countries - Peru, Bolivia, Ecuador and Colombia - for the elimination of tariffs on the importation of frozen concentrated orange juice into

the US.

Florida is the bigguet domestic producer of FCOJ, in 1988, sales were about \$2bn, according to industry estimates.

The request for tariff elimination came in petitions to the US Special Trade Representative, Orange juice is just one of a whole range of products, from asparagus to canned from asparagus to canned tomaioes to bicycles, that are relief as a part of the Bush Administration's anti-drug Andean Trade Initiative. The Administration urged the

Andean nations to submit the petitions. For the Andesn nations and the Bush Administration, the

from the strike at Ok Tedi in PNG

and mine and labour negotiations at some US copper facilities.

warning of a strike from Saturday

unless wage demands are met.

Cocoa prices recovered some of Tuesday's losses by the close

in London after starting the day with a further retreat. "Short covering by a number of trade

houses began the upswing, then jobbers were caught and had to

cover in towards the close," one dealer said, in Chicago pork

bellies were again limit down by midsession,

Compiled from Reuters

Cominco workers in Peru gave

good way to develop industries to replace the growing of coca leaves, the raw material for cocaine. But the US citrus industry – along with flower growers, stainless steel flat-ware makers and rum distillers, among others - sees only a threat to its position in the

domestic murior. Administration officials acknowledge that the political stakes are high. The citrus industry - concentrated in the so-called Sun Belt states of Florida, California, Texas and Arizona - has managed until now to keep the tariff on FCOJ above 30 per cent, the highest agricultural tariff the US imposes, according to one offi-

Last month, the Administrastaff committee held hearings on the elimination petitions. The committee is to report its findings to Mrs Carla Hills, the US Special Trade Representa-tive. She, in turn, is to advise President Bush on the peti-tions by July 13. The final

ICCO indic price for M for May 9

OT AND

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Close Previou 1342 1250

1230

Wheat Close Previous

Barley Close

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111.85 115.80 116.30 Turnover: Wheat 368 (317), Barley 17 (22). Turnover lots of 100 tormes.

124.5 123.0 116.5

us High/Low

123.5

The alimination would be

granted under the generalised system of preferences, which allows developing countries to receive duty-free treatment of certain products exported to the US. GSP treatment is non-discontinuously. discriminatory, so in theory granting a tariff elimination to the Andean countries would must that all 130 countries ell-gible for GSP treatment could start shipping tariff-free FCOJ to the US.

None of the four Andean nations has a big citrus indus-try. But Florida industry repre-sentatives look apprehensively to the Brazilian citrus industry which has developed rapidly over the last decade.

An Administration official of the potential damage to domestic industries - could decide to offer graduated tariff

of a tariff elimination. He said up to 60 countries might start exporting tariff-free FCOJ to the US. "That," he declared, "would be a catastrophe."

If the waiver is granted, it would take time for the Andean countries to build citrus industries. From the time a citrus grove is planted, it takes about seven years to produce a full crop. There is also the need to build processing plants.
But Mr McKown said tha over the long term, the Florida industry would find it hard to compete against the cheap labour available in the Andesn reductions on a country-bycountry basis in cases where there were highly competitive industries in some GSP-sligible

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Mon	875/0 :	061/4 -	876/0	859/0
Jun May	685/4 695/4	672/2	685/4	671/0
May	704/4	682/4 691/0	696/0 704/4	681/4 690/0
BOY/		60,000 lbs: 0		
		Province	High/Low	
1	84.64	24.03	24.65	23.96
Jul .	24.68	23.05	24.73	23.95 23.90
Aug Sep	94.41	23.76	24.64 24.45	23.67
	84,78	25,48	34.12	28,45
000	28.00	23.27	23.90	23.18
ريوارو ايوارو	23.67 23.60	23.08 22.88	23.70 23.50	23.25
MOY.				22.80
	Gloss	Previous	High/Low	·
ш,	187.0	183.9	187.2	183.5
Jul	191.1	188.1	191.4	187.5
Aug	190.6 195.2	190.1 191.9	193.6	189.3
Sap	197.4	709 6	195.3	191.5 193.0
Dec	200.6	197.5	201.5	197.0
Jan Mari	202.5	199.3	202.5	198.5
	206.5	203.9	207.0	- 201.9
	a 8,000 bu	min; cents/5 Previous	High/Low	
May	00041		200/R	III/A
ألدال	290/6	289/3 289/4	291/4	287 M
Sup	281/6	278/4	281/4	277/0
Dec	274/6 280/2	271/4 276/4	275/2	270/0 275/2
		min; cente/		213/2
	Ciose	Previous	High/Low	
May	379/4 349/4	378/0	388/n	377/0
-U	354/4	348/2 356/0	351/4	346/0
Dec	367/6	398/4	357/2 870/0	.352/6 385/0
	375/0	373/0	375/4	370/4
		•		٠.
NE C	SATTLE 40	,000 lbs; can	ts/ths :	
	Close	Previous	High/Low	
lun	74.72	73.92	. 74.75	74.07
Aug	72.62	71.99	72.65	71.92
Oct Nac	74.87 75.22	74.05	74.77	74.02
ab.	75.25	74.65 74.75	75.25 75.40	74.57
lpr '	75.76	75.10	75.85	74.95
			roug ,	بهدور.
•				•
NE I	1005 30,00	00 fb; cents/i		
	Ciose	Previous	High/Low	·
iurs Luis	64,42	63.57	64.55	63.20
lui Lun	63.40	62.80	63.60	62,40
lug Oct	61.57 54.50	63.85	61.67	60.50
	58.37	53.85 52.55	54.70	53,60
-	51.20	52.35 60.70	53.45	32 m
VDF	48.20	47.75	61.25 48.20	50.45 47.60
		,		MZ (IIII
			-	•
OFIC	BETITE2 4	0,000 lbs; cs	anta/tb	
_				

67.95 68.45 65.76 69.70 69.00

98.30 68.52 68.20 58.32 57.85

67.95 68.80 65.90 69.75 59.15

MARKET REPORT

ZINC prices continued to advance on the LME yesterday as three-month metal broke decisively through the \$1,700 a tonne barrier. The rise was fuelled by the tightness of LME supplies, particularly for June and July delivery dates; a constructive chart and trade buying and short covering, traders said. Chartists now expect the advance to Continue to \$1,750-\$1,760 a tonne before meeting further resistance. Cash copper advanced strongly following Japanese buying on the LME, and was gaining on Comex by midsession. New York traders said builish support had come

London Markets

SALIMAN INST						
SPOT MARKETS			SUGAR	- Loud	on POX	(5 per tonn
Crede of (per berrel FOS)		+ or -	New	Close	Previous	High/Low
Oubal Brent Blend W.T.I. (1 pm eat) Off products	\$74.85-5.00x \$17.10-7.15x \$16.69-8.71x	+0.20 +0.21	Aug Oct Dec Mar May	330.80 327.80 330.00 312.00 111.00	334.60 331.00 327.00	338.80 327.00 334.80 323.00 321.00 319.00 309.00 318.40 348.00
(NWE prompt delivery per to		+ 05.	White	Close	Previous	High/Low
Premium Gasoline Gas Oli Heavy Fuet Oli Naphina Petroleum Argus Estimates	\$225-227 \$154-155 \$77-78 \$149-181	1	Aug Oct Dec Mar May	446.0 407.0 399.0 193.5 392.0	442.0 407.0 400.0 395.0 393.5	450.2 431.0 451.5 393.0 404.5 392.5 396.5
Other		+ or -		r: Raw 3	C15 (4437)	ets of 50 tonners
Gold (per tray az)4 Silver (per tray az)4 Platinum (per tray az) Palladium (per tray az)	\$370,75 501c \$478,25 \$117,25	+1.25	Parts- W Dec 223	inite (FFr 0, Mar 22	per lonne): 105, May 21	Aug 2480, Oct 226
Aluminium (free merket)	\$1510	+60	CHUDE	OEL - M	**	\$/berr
Copper (US Producer) Lead (US Producer)	125.5a 45c	+4.5		Lates	t Previou	us High/Low
Nackel (free market) Tin (Kusia Lumpur market) Tin (New York) Zing (US Prime Western)	410c	-6 + 0.07	Juri Juri Aug IPE Inde	17.20 17.63 17.70 18. 16.87	17.39 17.69	17,21 18,90 17,63 17,35 17,70 17,64
Cartio (live weight)f	110.58p	+1.36	Turnove	r. †1860 (8941)	
Sheep (dead weight)† Pigs (ilve weight)†	190.52p 95.94p	-5:38. -56'8.	QAS OI	L - (PR		\$/ton/
London derly sugar (raw)	5360.4t	+ 5.8		Latest	Previous	High/Low
London delly sugar (white) Tate and Lylo export price		+152 +3.0	May Jun	158.00 161.50	156,75 153,00	166.50 155.25 163.26 151.00
Barloy (English feed) Marze (US No. 3 yellow) Wheat (US Dark Northern)	£121.0u £142.0 £123.5	+ 0.6	Jul Aug Sep Oct	151.50 154.00 155.00 157.75	152,00 153,60 155,75	160.25 150.75 104.00 182.75 150.00 155.00
Rubber (Jun)♥ flubber (Jul)♥ Rubber (KL RSS No 1 May)	57.00p 67.50p 230.0m	-1,0	Nov Des Jain	160.00 161.00 160.50	160.25 161.50	160,25 169,75 161,50 161,00 160,50
Coconut oil (Philippines)§	\$372.51		Turnove	r 869 3 (11	988)lots of	100 tonnes
Paim Oil (Malaysian)§ Copra (Philippines)§ Soyabeans (US) Cotton "A" Index Wroattops (64s Super)	\$300.0x \$235 \$189.5v 85.15c \$57p	-\$ +0.35	sheed sales	D MARKE MUDEL TO MODEL TREET	ption of Au The empi	is not lifted strallan wool lasts is on d depressed

Jul Aug Sep Oct Nov Des	151.50 154.00 155.00 157.75 160.00 161.00	153,60 153,60 155,75 159,00 100,25 161,50	162.25 150.75 104.00 182.75 156.00 155.00 100.00 167.50 160.25 169.75 161.50 161.00	
Juin Travana	160.50	1089Note /	160,50 of 100 tonnes	_
shess sales subsidema coup according to the coup alread depring the court of the coup alread the court of the coup according to the	LD MARICI d of resum i next weel is next weel is next weel is next weel ind credit id credit id credit id being i exted not i of Europe igher enve is signer	eption of A k. The emit response and, tram the stiness, but made. New only in the . Exception involve to dellar and	hes not lifted ustralian wool phasts is on nd depressed trading countries it proposals for Sovint Limion not to to deliveries to business is UK but throughout supply mainly in fabric sectors, alow softening loss, of new purchases	uft

LONDON STOCK EXCHANGE

Equities lose their upward momentum

THE impressive performance given by London's equity mar-ket since the results of last Thursday's local government elections came to a halt yester-day as share prices wilted in the face of some half-hearted

This was partly caused by worries over tomorrow's inflation figure, via the Retail Price Index, and the outcome of the second tranche of the three-day US Treasury bond auction held last night. But dealers said the market had also been upset by news that the Office of Fair Trading had requested an investigation into new car prices and car spares in the

Account Dealing Dates	stantiated — of a small sell programme in the market and
*First Deallings: Apr 30 May 14 May 29	remained on the defensive for the rest of a difficult session
Option Declarations: May 10 May 24 - Jun 7	Sentiment in the City was
Last Gaglings: May 25 Jan 2	not helped by the continuing low level of activity, a factor
May 21 Jan 4 Jun 18	behind the latest casualty in the UK securities industry.
They does dealings may take place from	which saw FHF the Midland

Share prices were edging better in trading before the official 8.30am start, with dealers heartened by the result of the Tuesday's US Treasury auction of 3-year bonds and Wall Street's small gam. But prices began to slip min-utes before the opening amid stories - which were not sub-

behind the latest casualty in the UK securities industry, which saw FHF, the Midlandbased group, withdraw from marketmaking.
Turnover yesterday totalled only \$43.7m at the official 4.30pm close but had jumped to 425.3m at a 4.45pm recording on TOPIC. This figure was said

to have been boosted consider-

ably by a number of large indi-vidual trades, particularly in

FT-A All-Share Index

The probe into new car rices and spare parts dam-ged British Asrospace, which attempted offerings," said one stantiated - of a small sell prices and soure parts damaged British Aerospace, which also suffered from another Press report on alleged sweet-eners over the acquisition of Rover Group, Lucas, GKN and a number of car retailers came

a number of car retailers came under heavy pressure at one point before staging a rally later in the day.

The opening of Wall Street saw London alide further and register its lowest level of the day, before steadying to close with the FT-SE 100 index of the control of the co 19.3 at 2,162.7. At its worst the index was 21.4 off.
"There was never any real weight of selling in the market, it was much the same as on

In a mixed bag of features Trafalgar House shares came under pressure as analysis downgraded their forecasts for the full year. Brent Walker, the leisure group, moved sharply higher immediately following the preliminary figures but then retreated as analysis pin-pointed the impact of property disposals on the much-betterthan-expected figures.

The latter apparently responded to the continuing

work to rule being carried out by North Sea contract oil work-

ers on the Brent system.

BP dipped 4 to 316p, although turnover in the stock

contracted to a meagre 2.4m shares, well down on usual levels. The first-quarter figures

are expected at 1.45pm today. Kleinwort Benson, a strong

supporter of BP shares, expects the group to come nut with his-toric cost net income of £380m.

including exceptional items of

The securities house thinks oil prices will recover as Opec curbacks feed through and seasonal demand picks up in the

For the full year Kleinwort is going for \$1.57hn. It expects an unchanged quarterly dividend of 3.95p, with the annual total rising 10 per cent to 16.4p.

senior salesman. There are

not that many bears about,

quite the contrary; if you have a line of top quality stock there

is no shortage of buyers," be

FINANCIAL TIMES STOCK INDICES 1990 High 1,0w 127.4 (9/1/35) 49,18 86.16 85.35 84.74 84.59 97.36 105.4 50.53 (28/11/47) (3/1/75) 2008.6 (5/9/89) 1678.0 1878.0 1753.4 1653.6 (30/4) 227.0 215.6 215.5 219.5 173.3 378.5 (8/2) 215.5 734.7 43.5 (15/2/83) (26/10/71) 2182.0 2182.2 2134.9 2137.6 2117.0 FT-6E, 100 Share 2103.4 (30/4) 2463.7 986.9 (3/1/90) (23/7/84) Ord. Div. Yield Basia 100 Govi. Seca 15/10/86, Flued Int. 1928. Ordingry 1/7/35, Gold mines 12/9/65, Besia 100 FT-SS 100 31/12/63, & MJ 9-36 Earning Yid %(full)
P/E Ratio(Net)(12) 10.06 FZ. 13 9.97 9.96 11.17 SEAO Bargns 4.30pm 21,78\$ 865.21 20,883 296.2 18,245 705,55 17,836 354,7 19,872 20, 174 747,67 20, 159 358,8 24,128 1279.54 28,791 465.8 GILT EDGED ACTIVITY 20,327 Gilt Edged Bargains 117.3 93.4 5-Day average 88.9 63.2 Ordinary Share Index, Hou ges Day's High 1706.6 Day's Low 1695.0 SE Activity 1974, Excluding intra-market bushness & Overseen turnover. Calculation of the FT incides of daily Equity Bargains and Equity Market and of the five-day everages of Equity Bargains and Equity Visits, was discontinued on July 31, Closing values for July 28 quilitatio on request. Lendon report and latest Share index Tel. 0868 123001. Open 1708.0 1708.0 1704.3 12 pm 1702.2 1702.6 2 pm 1899.7 1898.3 4 pm 1695.4 11 ave 1702.0 FT-SE. Howly shanger Day's High 2179.7 Day's Low 2160.6 Open 9 am 10 am 11 am 12 pm 1 pm 2170.4 2171.4 2171.1 2170.8 2170.7 2106.8 2165.3 2165.3

US has taste for under attact **Biscuits**

UNITED Biscuits rose when Salomon Brothers issued a "buy" recommendation and suggestions circulated round the market that the company might be subjected to a takeover bid from Philip Morris, the US tobacco and food group. Initially, UB was up 8 at 330p on low volume as desiers marked prices higher in response to the previous ses-sion's late spurt, which had left some operators short of stock. But UB slipped back as sellers emerged and closed only 3 ahead at 325p after turn-

over of 2.7m shares Salomon said UB's recent lacklustre performance was not justified as long-term earn-ings per share growth, forecast at 13 per cent per annum, had not yet been reflected in the corrent share rating.

The presence of Philip Morris executives earlier in the

125

s carly again

Chicago

100 1-12

week at a number of City brok-ing houses fuelled speculation that it could bid for UB. According to an analyst who attended one of the presentations, Philip Morris said it was interested in acquiring a European food manufacturer with a strong national presence. Analysts, however, also thought a bid by Philip Morris

at this stage unlikely, and this partly explained the retreat in the UB share price from earlier UB holds its annual meeting in Edinburgh today and there was strong expectation in the market that Sir Hector Laing.

the chairman, who retires today, would make an upheat

MMC probe

Several leading motor and engineering stocks were hit ind the news that Sir Gordon Sirie, Director General of Pair Trading, has asked the UK Monopolies and Mergers Commission to investigate the supply of new cars and car parts (including number plates). The Commission has been requested to complete its inves-tigation and report to the Sec-retary of State for Trade and

Industry by August 9 next Shares of motor distributors were immediately marked lower on the news, although there was little selling pres-sure. Among the shares most affected were Kvans Halshaw,

which gave up 9 at 185p,
Appleyard, 8 easier at 112p, T.
Cowle, 5 lower at 34p, and Caffyns, 8 down at 510p.
Motor component manufacturers Lucas and GKN also lost

ground. Analysis pointed out, however, that the probe was unlikely to affect this sector and the shares of both compa-nies partially railied to close a net 9 off at 611p and 7 easier at

397b respectively.

Mr Pete Deighton at County
NatWest said: "The investigation will decide who determines the pricing of cars in the
UK - the manufacturer or distributor; the restrictions imposed by manufacturers on the number of dealerships; and will also focus on number plates, which are a good source of profits for many car distrib-ntors. However, I do not helieve it will impact on com-

The news hurt British Aerospace, which owns Rover Group, the car maker. BAe held its annual meeting yester-day, and was also weakened by speculation of problems at Arlington Securities, its property subsidiary. BAe shares closed 7 lower at 502p on increased turnover of 4m.

SKB discounted

Much of the effect of Smith-Kline Beecham's decline in first-quarter profits from 2235m to 5219m had been anticipated in the recent share price weak-

Analysis agreed that the shortfall bad come as a result of debt incurred in last summer's merger between Smith-Kline Beckman and Beecham. They were divided, however in their essessment of the results. their assessment of the results. On the negative side, some said that if last year's first-quarter figure was adjusted to account for the debt, the year-on-year growth would be about 13 per cent - at least 5 percentage points below what analysts expected from the sector. Buils of the stock, however, such as Mr Ian Moore of UBS Phillips & Drew, said that the pharmaceutical-division's operating profits had grown 40 per attent profits had grown 40 per

pharmaceutical division's operating profits had grown 40 per-cent in a year. He said that the year as a whole would show grawis of 16 per cent on 1969.

"Rimith Klina" "A" dipped to 466p at one point in the after-non session, but recovered to 472p for a net decline of 6 after good turnover for the stock of

Profit reductions

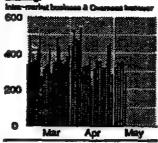
Trafalgar House were hit by a series of downgradings after reporting half-year profits in line with analysts' forecasts.

PRITTED FINDS (9 BASES (1) BURLEY, (1) BURLEY, (1) BURLEY, (2) BURLEY, (3) BURLEY, (3) Sing Poster (4) BURLEY, (4) Sing Poster (4) BURLEY, (4) Sing Poster (4) BURLEY, (5) BURLEY, (6) BURLEY, (6) BURLEY, (7) BUR

1100 1050

Next, the retailer.

Equity Shares Traded Turnover by volume (million)



The shares fell 10 to 296p as The shares fell 16 to 286p as turnover rose to 5.1m.
Interim profits edged up to \$116.9m from last year's £112.8m, in spite of a 19 per cent drop in operating profits from its property and house-building business to £87m. The company also increased the interim dividend by 10 per cent to 8.8p a share. to 8.8p a share.

Analysts were not impressed, however, and Laing & Cruickshank cut its estimate of full year profits to £245m, from £275m, and foreeast 1991 profits of £220m, com-pared with £300m previously.

Mr Fred Wellings at Laing said: "Property development profits will be very seriously eroded over the next two to three years and the possibility of provisions cannot be ruled out."

On the other hand, Mr Rob-ert Gibson at Robert Plenning believed the shares would remain attractive because of the yield of around 8 per cent, but he too shaved his original 1990 forecast by 15m to 270m. James Capel kept to its origi-nal 1990 forecast of 2773m, but learned the 1991 wedletten be lowered the 1991 prediction by Elfm to £300m.

Analysts confused

E PU

A sharp rise in shares of Brent Walker in the wake of doubled full year profits was more than reversed after the analysts' meeting and as the

market took a closer look at per cent instead of 17 to 18 per the figures.
The profit figure of 181.2m cent. That at Midland would remain at 10 per cent as the hank stayed mindful of the 14.9 was film shove the most opti-mistic of analysts' forecasts, but included higher-than-exper cent stake held by poten-tial predator Hongkong and Shanghai Banking. Fears that BZW had cut forepected income from the sales of public houses and betting shops, if they had been stripped out, the profit would have been well below the botcasts sharply across the board were behind an initial sharp

fall in share prices. They soon recovered only to weaken once again with the market's retreat tom end of the range of fore-The result was to leave in the afternoon session. Barclays shed 16 to 524p, Lloyds lost 16 to 265p, NatWest slipped 7 to 329p and Midland essed 5 many analysis floundering in their efforts to predict this year's figures. The trend was to 180p.

Abbey National gave up 2 to 189p in good volume of 8.1m.
diames. Traders said 2 km had to upgrade from around £30m to between £30m and £100m. They were positive on the stock in the short term, pointing out that the company had abareholders' permission to buy back up to 10 per cent of been placed with institutions.
Energy stocks were weeker, along with the wider market, and tended to shrug saids the firmer trend in crude oil prices.

The chairmen struck a posi-tive note, saying that "puls, brewing and betting ser-vices ... normally show a strong resistance to reductions in consumer spending . . . the current year has started well and we look forward with con-

The market, however, was less convinced and the shares retrested from an early high of \$15p to close at 286p, a decline of 7 on the session.

A mid-morning raid from

BZW on Mersey Docks & Har-bour pushed the shares sharply higher. Traders said that BZW was hidding for 1m shares — almost 1.7 per cent of the company — at 199p per share in a minimum size of 100,000. BZW was said to have been conducting the business for a north country broker. The names of several possible suitors did the rounds. Pael

ble suitors did the rounds. Peel Buldings, which has had a 10 per cent stake since 1987, was top of the list. The company denied the suggestion that it was buying stock. Sources close to Associated British Ports said & was unlikely to be behind the raid, and snalysts said a hostile approach was not in the style of P&O. Other, more vague, possibilities included a northern property company with ties to Peel.

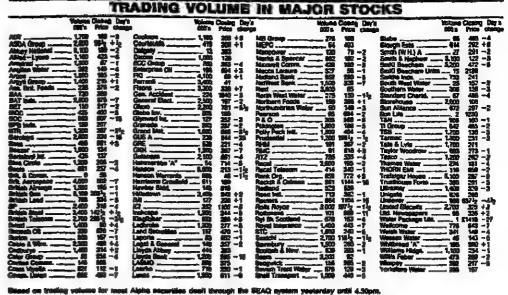
Analysts pointed out that Analysts pointed out that one obstacle to a possible take-over was a 20 per cent stake

aid by the UK Gov Mersey closed at 202p mid-price, up 46, with three market-makers offering to buy stock at 199p. Peel climbed 4 to 144p ahead of an announcement that the company had on Tues-day bought 50,000 of its own

shares at 1400.

High street banks had a had day as analysts at BZW issued a cautious study of bad debt.

The securities house focused on Barclays, where the current year's profit forecast was cut to £1.6bn from £1.65bn, and Midland, reduced to £522m from 2590m.
They also said that dividend growth for Barclays, NatWest and Lloyds would be 15 to 16



Shell shed 5 to 440p, while British Gas, with the biggest turnover of the oil and gas sec-tor - 5.1m - essed a shade to

Fisons was one of the best performers of the day among FT-SE stocks after County Nat-West said that Tilade, the company's asthma drug, set set to so before the advisory commit-tee of the US Food and Drug Administration on June 11. Full approval usually follows within a few months. The shares rose 7 to 339p, despite caution from some quarters which pointed out that the summer sales season for asthma sufferers would be over before the drug reached the market.

The food manufacturing sec-tor perked up, helped partly by

a long note in the world encop-late industry by S. G. Warburg. In the UK, Cadbury Schweppes offered the best opportunities to investors, said Warburg, which was a buyer of stock. Cadbury closed 2 higher at Billedown firmed 2 to 242p

a long note on the world choco-

following a series of presenta-tions at Kitcat & Aitken, the agency broker. Hillsdown said that recent worries over its non-food interests had been overdone, while its poultry division was at an all-time level of profitability.

Press reports that Mr John
Major, the UK Chancellor,
plans to cut defence spending
by £lbn next year weakened a
number of defence-related

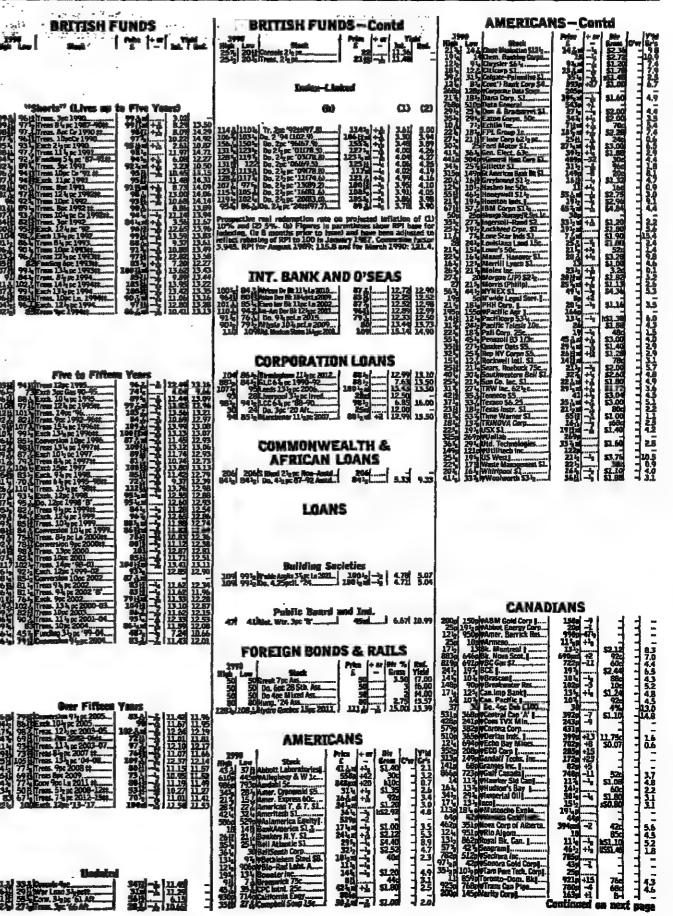
stocks. Among those affected

by the news was GEC, 2 lower

at 197p, VSEL, off 13 at 277p, and Vickers, down 6 at 202p. Sketchley dived 30 to 206p after Tuesday's late warning that profits will fall "materi-ally short" of the forecast made in March. The company also served notice on three

Leading housebuilder George Wimpey weakened late on small volume and finally displayed a loss of 6 at 217p. A trader thought the movement stemmed from apprehensions that researchers might soon lower profit estimates for the group following last week's downgrading of Barratt Developments by Hoare Govett. ■ Other Market statistics, including the FT-Actuaries share index, Page 28

LONDON SHARE SERVICE



per receivante de leuridence (de Crédence de aprocese de la common de Hottels de monsesprend de roccom (de Hottels de monsesprend de roccom (de Hottels de Monsesprend de Roccom, de Hottels de Alled Pert., Armour Tet. Bell nel, Bell, Bioplan, Cargo Cardrol, Cleytillo, Count.

APPOINTMENTS

NEW HIGHS AND LOWS FOR 1990

Midland Bank chief executive



chief executive of group operations at the MIDLAND BANK, has been appointed to the additional post of chief executive of UK banking from June 1, writes David Lascelles, Banking Editor. Mr Lockhart succeeds Mr Michael Fuller who is retiring.
Mr Rodney Baker-Bates,

deputy chief executive of UK banking, becomes managing director, UK banking. Mr Ronald Price, director of group information technology, becomes managing director of IIK operations.

Mr Lockhart, who is a US citizen, joined Midland in 1987 after working for the bank as an information technology an executive director in 1968. He is 40.

Mr Baker Bates, 46, became a superal manager of Midland in general manager of manager in 1984 and was then appointed UK corporate banking director. Mr Price, 52, joined Midland in 1985 and became director of group information technology in May 1989.

m Mr Peter Daylson has been appointed financial director of SEVERFIELD-REEVE, He was financial controller.

ERN VENDING SERVICES Bilston, has appointed Mr R.G. Tompsett as director and general manager; Mr D.C. Humphreys as sales and marketing director, Mr M.N. Jones as service director, and Mr J. Larkin as director, controller and secretary.

Mr Dennis Clark, chairman of the process and energy sector of AMEC, has been appointed to the main board.

m Mr Alf Evens has been appointed managing director of WRANGLER, Nottingham, for UK and Ireland from June 1. He succeeds Mr John Hart, who becomes vice president, V.F. International, Mr Evans joins from Centaur Clothes where he was deputy managing director.

the Geoffroy Wilson, chairman of Delta, has been appointed chairman of NATIONAL WESTMINSTEH BANK's West Midlands and

The Market Constitute of the control of the control

Wales advisory board, on which he has served since 1986. He is a director of Blue Circle industries, English & International Trust, Southern Electric and Vicarage Motorcars. He succeeds Lord Boyns, who has retired.

Try Group, has been elected chairmen of the national contractors group of the Publishers Building Employers Confederation. Wir havid Tyson, managing director of Alfred McAlpine

Concrete Masonry, has been elected chairman of the Aggregate Concrete Block Association in Mr Bruce Cheer has been

appointed a director of CLAYFORM DEVELOPMENTS.

EVERFRESH FROZEN FOODS, part of Park Food Group, has promoted Mr S.J. Webb from financial controller to finance director, and Mr A.J. Clark from divisional sales manager to sales director.

joined SWISS BANK CORP as a director, equities syndicate. He joins from a similar post at Credit Suisse First Boston.

NATIONAL PROVIDENT INSTITUTION has appointed Mr Peter Morgan as a director, He is director general of the Institute of Directors. Mr Richard Heley (pictured)

rejoins HILL SAMUEL BANK on June 1 as a director in the corporate finance department, He had been a director for six



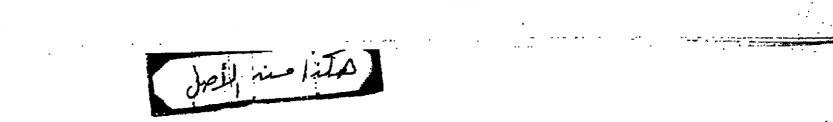
came managing director of UK corporate finance at Citicorp in September last

chairman and chief executive of Warringtons, has been appointed a non-executive director of WINDSOR, following Warringtons' acquisition of a resjor shareholding.

n hir Terry Maywood has been appointed operations director of RYMAN, a subsidiary of Pentos. He was operations

 VARTA INDUSTRIAL BATTERIES, Crewkerne, has appointed Mr Richard Haines as managing director following the retirement of Mr C.W.L. Wood. Mr Haines was head of sales and marketing, AEG (UK) engineering division.

Mr Keith Hobbs bas been appointed chairman of ADT SECURITY SYSTEMS. He was Insusging director of Britannia. Security Systems until its equisition by ADT.



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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls against D-Mark

London the dollar was at its lowest closing level against the

D-Mark since January 1988, falling to DM1.6375 from

DM1.6575. The dollar also weakened against the Japanese yen, following selling on Far East markets earlier in the day. It declined to Y156.45 from Y157.85 at the London close,

while falling to SFr1.402 from SFr1.438 and to FFr5.5175 from

FFr5.5700. The dollar's index fell to 67.2 from 67.7.

from Y95.25 against the yen and showed signs of recovering from its weak position within the European Monetary Sys-tem. It advanced to L735.55

from L733.65 in terms of the Italian lira and to FFr3.3695

from FFr3.3605 as the French franc suffered from nervous-

ness ahead of a censure vote on the French Government in Parliament last night. Within the EMS the lira continued to hover around its upper diver-

The D-Mark rose to Y95.55

Fading expectations of higher US interest rates contributed to a sharp decline of the dollar yesterday. Last Friday's US employment data was much weaker than expected, and in spite of other recent figures indicating an upturn in the economy the market now doubts that the Federal Reserve will tighten its monetary stance. Signs that President George Bush is keen to reduce the US budget deficit increased speculation that US rates could fall. Mr Bush and Congress have agreed on the formation of a group to look into ways of reducing the defi-cit, including the possibility of higher taxes. This reflects fears that savings of \$100bn might be needed in 1991 to meet the legal limit of a \$64bn deficit. Expectations that yesterday's auction of 10-year US Treasury notes was unlikely to be as successful as Tuesday's three-year note auction added three-year note auction added to the weaker sentiment sur-rounding the dollar, while growing confidence in the abil-ity of West Germany to over-come the possible inflationary problems of monetary union with East Germany boosted the D-Mark. It was announced in Bonn that Parliamentary legislation on monetary union should passed by June 21. At the finish of trading in

R IN NEW YORK Latest

STERUNG INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

MONEY MARKETS

prices. Short sterling futures weakened on Liffe, but held within a narrow range, while

cent from 15%-15%.

Day-to-day credit was again in short supply on the money

market. The Bank of England

initially forecast a shortage of

£800m, but revised this to

£300m at noon. Total help of £374m was provided. Before lunch the authorities

I at 14% per cent and £698m bank bills in band 2 at 14% per

Rates ease slightly Trading was quiet in sterling denominated instruments yes-terday, as London's financial markets waited cautiously for tomorrow's data on UK retail hands, repayment of late assistance and a take-up of Treasury bills drained £821m, with the unwinding of repurchase agreements on bills absorbing £494m; a rise in the note circulation £40m; and bank balances below target

£175m. These outweighed Exchequer transactions adding £510m to liquidity. interest rates on the cash market eased slightly. September short sterling opened a little firmer at 85.03, but declined to In Frankfurt call money eased to 7.85 from 7.90 per cent after the Bundesbank injected close at 84.98, compared with 85.02 previously. Three-month interbank was quoted at 15½-15½ per cent, against 15½-15½ on Tuesday, while 12-month liquidity into the banking system. The central bank accepted bids totalling DM25.0bn at this week's money fell to 15#-15 per two-tranche securities repurchase agreement tender. This added a net DM3.1bn, as UK elearing bank base lending rate 15 per cent from October 5 an earlier facility of DM21.9bn expired yesterday. The Bundesbank allocated DM10.3bn of 14-day money at

rates of 7.75-8.00 per cent and DM14.7bn of 34-day funds at 7.80-8.05 per cent.
Credit conditions are expected to remain tight however, as banks build up reserve holdings. These averaged DM56.2bn for the first seven days of May, against an expected requirement for the month of around DM58bn

bought £85m bank bills outright in band 2 at 14% per cent. In the afternoon another In Amsterdam the Dutch central bank allocated Fl £739m bills were purchased, by way of £41m bank bills in band 7.74bn at a tender for six-day special advances, to replace an expiring seven-day pact of FI 6.56hn. This was provided at cent. Late assistance of around £50m was also provided.
Bills maturing in official 7.90 per cent, compared with 8.00 per cent previously.

gence limit against the weaker members, but if the D-Mark continues to improve this should reduce the upward pres-

sure on the Italian currency.

Sterling was on the sidelines,
gaining ground against the weak dollar, but declining against EMS currencies, the Swiss franc and the yen. The pound rose 90 points to \$1.6785, while falling to DM2.7475 from DM2.7675; to FFr9.2600 from FFr9.3000; to SFr2.3575 from SFr2.3925; and to Y282.50 from Y263.50. Sterling's index fell 0.1

to 87.5. The Swiss franc was even stronger than the D-Mark yesterday. This was partly because of high Zurich interest rates, but also reflected speculates. lation that Japanese companies require the currency to cover liabilities on Swiss franc denominated loans. The Swiss unit rose to Y111.45 from Y110.00 companies the year at the Y110.20 against the yen at the London close.

CINA SUPPENSY INTEREST DATES								
EURO-CURRENCY INTEREST RATES								
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FT LONDON INTERBANK FIXING CLL.00 a.m. May.99 3 months US dollars offer 84 The fining rates are the arkinomic means rounded to the represt one-sisteesth, of the bid and offered rates for \$10m quoted to the market by five reference banks as 11.00 a.m., each working day. The banks are Michael Westmisster Bank, Bank of Tokyo, Destructe Bank, Bangse National de Paris and Morgan Goarnett Trest.

MONEY RATES NEW YORK Treasury Bills and Bonds One Month 8.10-8.20 91-95 9-94 8.33-8.36 71-73 114-125 94-10 115-114 7.80-7.90 9%-94 84-85 8.20-8.30 611-7.1 117-124 10.45 115-115 815-825 912-91 8.75-8.36 9.5-9.3 9.4-9.3 7.5-7.3 7.5-7.3 114-125 94-10 114-114 8 25-8 45 94-94 118-11B LONDON MONEY RATES May 9 Year One

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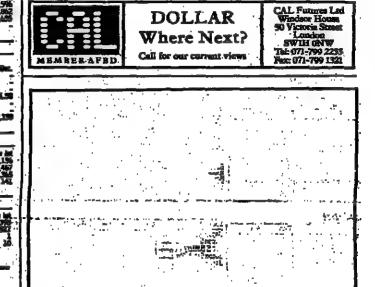
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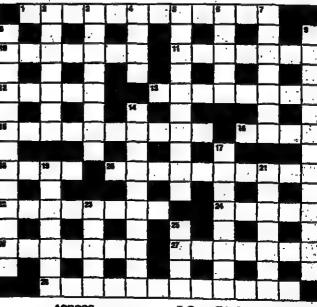






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ACROSS I Potter's art Emma's bust (12) - shaping

Enuma's bust (12)
10 Streams in full flow, as
Trent pethaps (7)
11 Gypsy rose? (7)
12 Try sex appeal, one hears (5)
13 Thought drawer opened differently (8)
15 The Spanish Evita's on vari-

ous stages (10) 16 Tum's rumble, that's obscenei (4) 18 For the record, part time

volunteers enercise (4)
20 Oozes tarry nasti-ness – that's his penchant

22 Spy's affinity is material (4.4) 24 Prefix for many caught in

tumult it seems (5)
26 Holding imperfect beat, one drums nevertheless (7) 27 Initially too little in house-work? There's a laugh! (7)

28 Date led Terry astray — a special date, indeed (3,6,3)

2 One performing in hanney part is terrible (7) 3 Rising Lloyd's participant invests ever so much for each of us (8) seems (4)

Tight cape's concealing big-oury (10) Bugily active fish is, naturally, rather wet (5)

7 One off to holy places, being sanctimenious, left sternfaced (7) 8 Value too low, having

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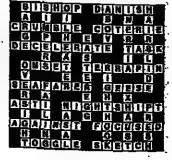
wrongly measured it net As radical premier tended; had things settled before-hand (13)

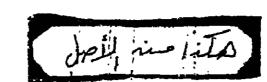
14 Tar spray - not much use When covering small model

17. See me endlessly glorify flicks (8) 19 Chemical produced by Rem-ploy (?) 21 Cotton cloth! Girl ate on one

(7) 23 Stance adopted in St. Andrews (5)
25 From the right, TUC's seen
to be contemptible (4)

Solution to Puzzle No.7,238





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Dow trails bonds ahead of 10-year note auction

Wall Street

THIS WEEK's quarterly refunding vigil continued yes-terday in US financial markets with stocks mostly lower throughout the session in line with a weaker bond market but then recovering towards the close as good results emerged for the 10-year auc-tion, writes Janet Bush in New Voil

The Dow Jones Industrial Average closed 0.68 points lower at 2,732.88 on moderate

On Tuesday, the Dow had traded in an extremely tight range for almost the entire session and then jumped in the closing minutes as good results were announced for the threeyear auction. The Dow closed on Tuesday 11.94 points higher

The stock market is com-pletely dominated this week by whether or not the quarterly refunding will go well and is tending to track the bond market very closely. The \$10.5bn three-year auction was successful with apparently healthy participation by Japanese investors and a record \$2.5bn in non-competitive bids, sug-

gesting good demand from domestic retail investors.

by good results for the \$10bn 10-year sale which saw total subscriptions of \$36.04bn and an average yield of 8.88 Treasury's benchmark long bond was still quoted & points lower to yield 8.86 per cent.

There was lingering concern, even with two auctions suc-cessfully completed, about today's 30-year sale. The bond market had anyway been on the defensive at the opening because of an overnight drop in the dollar in Tokyo which suggested that overseas inves-tors were not preparing them-selves to bid at the refunding.

The late buying on Tuesday brought the Dow's winning streak to seven sessions – an impressive performance. Even before the raily in the last min-utes of the session, the blue chip index had held very steady throughout the day.

Yesterday's marginal loss broke this string of gaining sessions but not decisively and equity analysts said that, given the weakness in the bond market, it was a good performance. Among featured issues yes-terday was F.W. Woolworth

reporting a 5.5 per cent rise in its fiscal first quarter earnings compared with a year ago which disappointed analysts' expectations.

which slipped \$% to \$60% after

Stone Containers fell \$% to \$16% on concern about pending union negotiations. The Canadian Paperworkers union has picked three Quebec mills which the company owns for

Canada

A SURGE in gold stocks propelled Toronto share prices to a higher close in active trade. The Composite Index closed up 26.03 points to 3,464.00 with advances ahead of declines by anvances anean or declines by 340 to 260. The market has gained about 130 points in the last six sessions. Volume rose to 26.1m shares from 19.2m. Gold stocks led the advance with a 4.3 per cent index gain. Among the senior precious metal miners, American Barrick gained C\$\%\$ to C\$20\%.

FIT, up 10 cents C\$4.90, managed to turn in a small first-quarter profit despite the poor outlook for the Atlantic fish-eries industry. The company said it sees a steady perfor-mance for the rest of the year.

SOUTH AFRICA

JOHANNESBURG succumbed to profit-taking after its recent gains, and gold shares were undermined by a weaker bul-lion price. Vaal Reefs fell R10 to R340 and De Beers lost R1.75 to R99.25. The JSE all-share index fell 26 to 3,205.

Profits announcements keep interest alive

PROFITS NEWS kept investors interested yesterday, as most leading bourses finished lower. One exception was Zurich, which rose in active trading, writtee Own Markets Staff

urities Our Markets Staff.

AMSTERDAM was pulled lower by multinational stocks in the face of the weaker dollar, while insurance and banking stocks gained as investors sought a safe haven.

Fokker, the aerospace group, surprised the market with the news that it would double net profits in 1990 as well as resume the dividend after three years. The stock rose 60

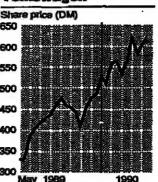
Dealers reported continued heavy selling of Philips from the UK and West Germany in the wake of its bad first quarter results; it lost 90 cents to a year's low of F1 31.90. Among the international stocks, Unilever, due to report first quarter earnings on Friday, eased F11 to F1142.60 and Royal Dutch eased F11.90 to

Fi 140.20. The CBS Tendency index fell 0.6 to 117.1. FRANKFURT fell back after an early recovery. The equity market is torn between relief. with specific fears subsiding and uncertainty about the immediate scope for improvement. The DAX index closed 2.70 lower at 1,896.58 after a rise to 1,914.14 early in the day;

at midsession, the FAZ was 2.49 lower at 803.34. Mr James Cornish, an equity

strategist with County Nat-West, says that an increase in West German interest rates could be delayed until Septem-ber or October; he adds that the IC Metall wage and work-ing hours settlement has been achieved with less disruption than once seemed likely. County NatWest is looking at a 10 per cent earnings

Volkswagen



12 months, and the prospect of an autumn share price revival. Volume rose from DM6.9hn to DM7.1bn, as Volkswagen eased back DM4.50 to DM601.50 after good results for 1989, and the first quarter of 1990. Commerzhank heard rumours of an imminent issue of covered warrants and climbed DM5.50 to

Big risers of the day included A & M, up DM38 to DM848, and DM148 higher this month following the bid for Co op, the retail group in which its BfG subsidiary is now a major shareholder. Lino-type gained DM48 to DM388 on a successful showing at the Drupa fair in Düsseldorf.

Drupa fair in Düsseldorf.
PARIS ran out of steam as investors waited for the Treasury quarterly refunding programme in the US to come to an end. Anticipation of the censure vote on the French Govsure vote on the French Gov-emment, due yesterday night, also led to cautious profit-tak-ing. The CAC 40 index, which reached a day's high of 2.133.90, closed 16.14 down at 2.103.69 in turnover estimated at just less than FFr3bn.
Only BNP, the bank, stood out among blue chips, with a rise of FFr21.40 to FFr487.50 in its certificates. The stock was

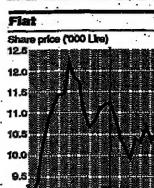
its certificates. The stock was still good value, in spite of its still good value, in spite of its recent outperformance of the market, said a salesman. Havas, the media group, lost FFr44 to FFr651 on the rumours of its interest in Saatchi and Saatchi, while Générale des Eaux lost FFr110 to FFr2,620 on profit-taking.

MILAN opened weak after Fhit's 1989 results, which were revealed late on Tuesday, but was pulled off its lows by strong demand for banks.

strong demand for banks. Fiat's earnings were at the lower end of forecasts and the se in dividend was less

than expected. Investors were also disappointed that Fiat did not announce a much-rumoured link-up with another car manufacturer as well as by its plans to issue new shares to incorporate the holding company, Saes. Fiat ordinaries fell L139 to L10,340.

Among banks, Banco di Roma added L30 to L2,310 on



rumours that it would soon conclude a share-swapping accord with Banco Hispano Americano of Spain. The Comit index fell 0.70 to 701.53.

ZURICH extended last week's rally as the Crédit Suisse index rose 7.4 to 602.7. Foreign investors have been impressed by the stronger Swiss franc and the prospect of easier money market rates.

Eric Danier of USS ramings & Drew. He says that its profits split, revealing a 51 per cent contribution from pharmaceuticals, suggests a 10% to 11 p/e against about 9% at present.

STOCKHOLM rose on gains by Ericsson, following its excellent first quarter results, and the forestry group. Stora and the forestry group, Stora, which said its recent West German acquisition. Feldmühle man acquisition, Fetundae
Nobel, would increase its profits by up to SKr600m annually
within five years. Ericsson free
B shares rose SKr40 to
SKr1,015 and Stora free Bs SKr1,015 and Stora free Bs gained SKr17 to SKr315. The Affarsvärlden General index added 13.6 to 1,185.3 in increased turnover of SKr311m. RRUSSELS rose late in the session after quiet early trading. ACEC-Union Mimère fell BFr20 to BFr4,650; its parent company, Société Générale de Belgique, said that it would float 7 to 9 per cent of the non-ferrous metals group at between BFr4,100 and BFr4,400 a share, SGB gained BFr45 to BFr3,345 on 28,000 shares.

This continued to help the insurance sector, which rose

Volume was said to be close to its year's high. Roche certificates rose SFr120 to SFr3,730 and topped the most-actives list on the chemical group's strong first quarter sales; Ciba-Geigy certificates rose SFr90 to SFr3,200, part of a regating process according to Mr

rating process according to Mr Bric Dahler of UBS Phillips &

6.3 per cent last we

ASIA PACIFIC

Nikkei falls as investors exercise caution

Attractions of new issues grow stronger in Nigeria

Vitality has not spilled over into the secondary market, however, as Tony Hawkins explains

Boosted By an economic recovery programme which includes plans to privatise up to 100 companies, the Nigerian capital market is set to play an increasingly important role. increasingly important role during the 1990s. Last year, N1.6hn (\$208m) of new capital was raised in the market, of which N780m represented stock exchange flotations. Figures supplied by the

Nigerian Stock Exchange show that there were seven rights issues by leading companies such as SCOA, CFAO, Boots and Mobil, which raised N173m. Other private sector flotations, excluding privatisation issues, exceeded N400m. With more rights issues in the pipeline and the Govern-ment planning to raise N1bn in privatisation offers, the new issue boom will continue,

although competition for funds between the private sector and the Government's privatisation programme seems likely to become more acute, with priva-tisation likely to lose out. The new issue market's pop-ularity is the result of two developments - privatisation and the credit squeeze. Companies have been swift to restruc-ture their balance sheets,

exploiting the opportunities

depreciation of the naira. Fur-

thermore, with short-term bank borrowing costing more than 27 per cent, finance man-

agers have piled into the new issue market where capital can be raised at half the apparent

NATIONAL AND REGIONAL MARKETS

per grouping

Austria (19)

Belgium (61).

Finland (26).. France (125).

new issue market has not spilled over into the secondary market. The number of compa-nies listed on the NSE has increased from 90 in 1980 to 111 in domestic currency terms equity market capitalisation more than quadrupled to N7.5bn over the period, market turnover was a mere N28m.
This is explained partly by the fact that more than 46 per cent of NSE equities are held by foreign multinational com-

Share prices have not kept pace with depreciation of the naira. In dollar terms, equity market capitalisation has fallen by two-thirds since 1980

panies, which are not active in the market. Institutional share-holders hold 15 per cent and the Government a further 8 per cent, leaving roughly one-third in the hands of an estimated 1.4m Individual investors.
They, too, are reluctant to part with their equity, tending to buy and hold.
Share prices have more than doubled in the last three years, the but to be a superior to

arising from the revaluation of assets resulting from the steep doubled in the last three years, thanks to a combination of rapid inflation, high liquidity and a shortage of scrip. This week, the index of share prices (1984+100) stood at 350, with the index having risen 50 per cent in the past 15 months. Unfortunately, vitality in the But share price inflation has

WEDNESDAY MAY \$ 1890

113.90 211.91

116.17 229.54 133.11 119.16 220.10

not kept pace with naira depre-ciation. Expressed in dollar terms, equity market capitalis-ation has fallen from \$3.1bn in 1980 to an estimated \$1bn. The average dividend yield was 7.3 per cent in 1989, which is hardly stiractive in an economy where inflation is unlikely to fall below 15 per cent.

This is particularly so at a time when corporate profit

time when corporate profit margins are being squeezed to the point where a significant reduction in dividends is on the cards. Critics complain that issue pricing is artificial in both the primary and secondary markets.

In early March, there was market controversy over the relative pricing of Paterson Zochonis and Lever Bros shares. Brokers resorted to balance sheet and profit analysis to explain what they saw as a perious discoverney.

serious discrepancy.

Because the NSE is a seller's market — which promotes new issue activity — secondary market prices often bear little relation to underlying market fundamentals. Even at a time of high interest rates and severe liquidity squeeze, share prices continue to move inexorably higher, partly because scrip is so hard to come by. This may be slowed — or even reversed — over the next

18 months as new issue activity, including privatisation, absorbs a growing proportion of the investments nairs. There will be downside pressure on prices, too, as profit margins are squeezed but, in spite of this, the buil market seems destined to continue at least until mid-1990.

131.31

116.61

230.65 132.32 119.11

Victor, the audio company, declined Y60 to Y2,520.

Nakamoto in Tokyo.

The market took off on a strong note, with active buying lifting the Nikkei average over the 31,000 mark in morning trading. But concerns over political unrest in the Soviet Union put a stop to the buying,

The Nikkei average went from a high of 31,110.76 to a low of 30,834.75 before closing

wary as a five-day rise in the Nikkei triggered concern that it had gained much more than market conditions warranted. From a technical standpoint, there was reason for caution: the Nikkei had risen 5 per cent

High hopes for high-technology issues with strong fundamentals have not been realised

SHARE PRICES ended moderately lower as investors became cautions and took profits after the rise over the last five sessions, writes Michigo

and share prices retreated

down 24.97 at 30,945.61. But advancing issues outnumbered fallers by 572 to 409, with 139 issues unchanged. Turnover fell from 750m to 700m shares, the Tonix index of all listed shares added 5.19 to 2,308.79. In London, the ISE/Nikkel 50 index rose 3.20 to 1,750.28.

the Nikkei had risen 5 per cent above its 25-day moving average, said Mr Masami Okuma at UBS Philips and Drew.
Buying interest focused on domestically-oriented stocks, especially those which had lagged behind the market, such as steel, chemicals and consumer-related issues. The Nikkei has recovered nearly a kei has recovered nearly a third of the loss from its high in January, and investors were seeking issues which had not recouped a similar amount.

so far in the stock market. Their results, due later this month, are generally expected to be in line with forecasts but some analysts warn that it is still not clear to what extent the severe labour shortage, higher interest rates and higher prices of materials might have affected perfor-mance. Fuji Photo Film dropped Y60 to Y4,110 while

1990 Low

135,79

158.31

223.87 125.85 113.00

Speculative issues returned to favour. When the market was falling, these issues suf-fered more than others as rumours spread of financial difficulty among speculative groups but such talk has since diminished. Wakachiku Conaminianed. Warachiki Construction rose Y220 to Y1,780 and Higo Bank, a regional bank, climbed Y60 to Y1,140.

Osaka remained buoyant and the OSE average gained 208.11 on volume of 68.6m

shares, after 73m on Tuesday.

INVESTMENT interest focused on New Zealand and Thailand yesterday, as leading regional

markets had a quiet session. Singapore and Kuala Lumpur were closed for holidays.

NEW ZEALAND rose after Tuesday's profit-taking, with the Barclays index gaining 12.78 to 1,722.71 in active trading. Foreign interest helped volume remain healthy, with 17m shares traded, valued at NZ\$28m, after Tuesday's 19m shares worth NZ\$21m. hares worth NZ\$21m. Goodman Fielder Wattie, the

Goodman Fielder Wattie, the food processing group, gained 10 cents to NZ\$1.95 with 1.3m shares changing hands. There was speculation that Coles Myer, the Australian retailer, would buy Elders IXL's 10 per cent stake in Goodman Fielder. Mr Pat Goodman, chairman of Goodman Fielder, yesterday denied rumours that he would

buy the stake himself. AUSTRALIA firmed in quiet trading, with the All Ordinaries index rising 0.9 to 1,477.8. Coles Myer eased 6 cents to A\$7.54 after announceing a decline in third-quarter sales. Goodman Fielder Wattie sales. Goodman Fielder Wattie gained 10 cents to A\$1.48.

Volume picked up to 83m shares valued at A\$200m from the previous day's 58m and A\$131m. National Australia Bank lost 12 cents to A\$6.20 with 5.9m shares exchanged.

THAILAND came back from its four-day weekend in good spirits, and share prices rose in busy trading, financial stocks in particular. The SET index rose 12.16 to 875.18.

HONG KONG was in cau-

HONG KONG was in cau-

ered from a loss of 25 points to end 11.31 lower at 2,942.27 in turnover of HK\$1.07bn, down from Tuesday's HK\$1.23bn. Investors were nervously looking ahead to the beginning of next month; June 3 is the deadline for the US decision on whether to renew China's stawhether to renew China's sta-tus as a favoured trading nation, while June 4 is the anniversary of the massacre in Tianaumen Square in Peking. SEOUL eased after its fivesession rally, as the composite index lost 3.18 to 793.36; volume was 12m shares worth 215bn won. The previous day's

- ---

15000

To the same of

7:00

The Hang Seng index recovered from a loss of 25 points to

package of government mea-sures, designed to support the market, had been discounted.

With Mr. Lindsay OWEN-JONES, Chairman and Chief Executive Officer, presiding, L'OREAL held its annual information meeting during which Mr. Marc LADREIT de LACHARMERE, Director and Executive Vice President, presented the results for 1989.

Consolidated sales totalled FF 27.2 billion an increase of 14.8% on the basis of comparable structures and change rates over the previous year. Sales managed by L'OREAL, which integrate the sales generated by its American and Canadian agents,

The Group's operating profit rose by 17.2% from FF 2.499 billion to FF 2.929 billion. Net exceptional charges dropped by 60% while company taxation increased by 18.5%, resulting in an increase of 17.3% in net profit before capital gains including minority interests. Net diluted earnings per share and investment certificate totalled FF 251.9 in 1989, up by 18.6% from FF 212.4.

	1989	% increase over 1988
Consolidated sales	FF 27,170 million	+ 11.1%
Operating profit	FF 2,929 million	+ 17.2%
Net profit before capital gains including minority interests	FF 1,542 million	+ 17.3%
Earnings per share, investment certificate and convertible debenture	FF 251,9	+ 18.6%
Dividend	FF 60	+ 20 %

In 1989, L'OREAL pursued its core business strategy and sold its hygiene and comfort division, reduced its commitments to financial activities outside the Group and cut back on biomedical operations.

Lindsay OWEN-JONES commented on L'OREAL's international development and emphasized that the Group's performance was as always closely linked with a strong commitment to research. In 1989, L'OREAL increased its R&D expenditure in cosmetics, dermatology and pharmaceuticals in addition to pursuing a marketing policy focussed on innovating and improving product ranges.

Mr. OWEN-JONES made the point that L'OREAL has continued to develop international markets thanks to the many new-product launches and the constant improvement of existing products. This policy has always fuelled the company's growth. In a context of moderate growth in world markets, L'OREAL continued to increase sales volume and acquire larger market shares.

Expanding the international markets for its various products is a key objective of all L'OREAL operations and is a fundamental motivating force for all staff. The Group's international activities generated for France a net foreign currency gain of FF 4.5 billion as compared to FF 4 billion in 1989.

Lindsay OWEN-JONES again affirmed the Group's determination for its subsidiary, SYNTHELABO, to grow internationally. Marc LADRET de LACHARRIERE announced that at year end 1989, L'OREAL's interest in SYNTHELABO was close to 64%. Mr. OWEN-JONES announced that the Board of Directors of L'OREAL had decided to propose that the

General Meeting of Shareholders to be convened on Thursday, June 14, 1990, declare a net dividend of FF 60. The same dividend would be paid on common shares and on investment certificates. Finally, Mr. de LACHARRIERE announced that a 10 for 1 stock split would be proposed by the Board of Directors at the General Meeting of Shareholders in June. The objective behind this proposal, referred to at the national liquidity of L'OREAL securities.

+0.2 +0.1 +0.6 +0.6 +0.2 +0.2 +0.2 +0.1 +0.1 +0.2 +0.5 +0.5 +0.5 +2.1 -0.6 +2.3 +2.3 +0.3 +0.3 1.20 4.61 3.57 2.81 1.89 5.27 2.55 2.39 4.79 7.67 1.54 2.31 2.46 3.50 285.63 180.02 183.61 183.61 183.62 182.29 182.29 183.77 126.90 196.57 197.26 245.32 145.66 75.36 251.39 185.19 185.19 123.64 133.01 134.66 181.03 150.66 117.67 65.17 139.42 146.12 80.24 191.22 182.29 180.74 118.13 259.88 150,70 134.90 249.19 152.19 168.85 137.63 122.14 180.08 103.35 143.42 232.91 191.82 186.59 186.89 17.03 147.03 147.03 147.03 259.73 149.02 247.78 732.04 168.48 136.42 177.55 102.59 142.02 218.10 424.74 139.39 61.78 156.72 191.20 93.87 147.40 138.21 220.04 117.25 149.61 121.15 108.65 157.68 91.11 212.14 108.89 147.55 117.55 122.40 154.48 93.17 141.70 228.97 1310.96 118.50 199.53 164.96 157.15 124.75 171.11 108.28 146.14 117.17 122.16 155.05 92.97 116.76 149.14 121.57 107.89 159.06 91.25 383.53 123.54 205.73 169.43 164.61 142.04 173.55 85.67 129.32 West Germany (93)..... Hong Kong (48)..... Ireland (17).... 112.24 172.72 91.85 124.40 204.15 324.53 130.43 141.83 226.97 1340.19 117.58 57.26 202.17 164.95 165.47 125.24 174.67 84.43 129.87 138.49 Mexico (13) 54.85 202.63 170.12 59.57 202.94 179.70 173.80 192.84 173.89 71.71 184.66 157.08 135.27 Norway (23). Singapore (25)... South Africa (60) Spain (42).... Sweden (35)..... 153.74 156.62 72.98 Switzerland (65)..... United Kingdom (306).... 83.38 130.90 138.21 99.12 164.31 145.40 88.75 139.87 130.61 83.36 146.66 201.89 192.75 174.18 145.78 138.76 138.32 173.77 162.00 161.84 135.57 185.01 124.63 130.35 131.02 124.81 122.53 131.30 130.80 131.95 134.62 118,89 154,05 186,72 159,59 125,14 101,54 3.63 1.93 0.91 2.01 3.50 2.78 5.27 2.07 2.30 2.55 3.61 142.49 191.08 140.86 141.89 137.87 137.45 126.45 142.24 138.99 139.43 138.93 169.68 125.09 126.01 122,43 122.06 112.30 126.31 123.43 123.82 194,29 142,17 142,96 138,18 171.61 125.57 126.28 122.05 122.56 162.44 139.92 133.74 136.87 118.85 +0.1 +0.2 -0.2 -0.1 -0.1 +0.1 +0.0 138.76 132,69 158,49 145,16 145,36 123,30 126.54 143.28 139.87 111.77 126.58 123.55 123.85 114.89 133.72 135.77 134.95 Pacific Ex. Japan (20 World Ex. US (1838).. 140.21 140.38 131.92 The World Index (2375)... 140.50 124.10 2,58 +0.6 135.16 Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited. 1987 Singapore and Malaysian markets closed May 9.

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Gross Div. Yield

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